

An Examination of the Impact of Share Equity Schemes on Beneficiaries in the Western Cape and Mpumalanga

**A Joint Research Report of the Surplus People Project
and Land and Agriculture Policy Centre**

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Abbreviations

SPP	Surplus People Project
LAPC	Land and Agriculture Policy Centre
DLA	Department of Land Affairs
NGO	Non-governmental Organisation
ESTA	Extension of Security of Tenure Act of 1997

Executive Summary:**The Impact of Share Equity Schemes on Beneficiaries
in the Western Cape and Mpumalanga***March 1999*

The aims of the research were to discover whether the expectations of farmworkers had been met and to assess whether the objectives of the land reform programme were being achieved, such as gender equity and redistribution. Further aims of the project were to disseminate the research results in an accessible form to stakeholders interested in embarking on land reform projects, and to suggest further areas of research.

1. Establishment of the Schemes

At three of the schemes, the process of initiating and driving the scheme came from the original farm owner, and in the fourth case, the white farm manager conceived the idea and was a moving force behind the establishment of the scheme. While beneficiaries were drawn into the process at any early stage, three issues need to be highlighted:

1) Land reform and housing options were not always fully explained to potential beneficiaries. In two of the cases this could not be avoided, since DLA policy had not yet been formulated. Full explanation of all of the options is an essential requirement, for equity schemes limit residential and employment mobility and it is imperative for farmworkers to understand all of the implications of this. The DLA has produced flyers on share equity schemes, however these do not cater for the many potential beneficiaries who are illiterate.

2) Farmworkers did not participate in decisions around the financial and legal arrangements of the schemes. To a certain extent this is understandable, for equity schemes are extremely complex and require a high level of expertise. However, if poor decisions are made at the outset, farmworkers could lose their one chance for a better life.

3) There were serious problems in the assessment of the farm value and financial viability of two of the schemes which has seriously prejudiced their success. As one DLA official noted, the problem is that valuation is not an exact science, and highly skilled people are required. Unfortunately, it is difficult to secure the services of people who understand the management, financial, and agricultural aspects of farm enterprises, and valuers often come up with very different figures.

If a farm goes into liquidation, then every equity partner suffers, but there is no doubt that the negative effects on farmworkers are the most profound. The DLA grant is their only chance at a better life, in effect, it is their life savings. If this is lost, farmworkers seldom have the skills and confidence for a second chance. The other equity partners, on the other hand, usually have skills, expertise, and investments to enable them to embark on other economic ventures. For this reason, it is imperative that more checks and balances be built into the initial processes to ensure that farmworkers' interests are being protected.

Recommendations:

- ❖ The current set of guidelines for DLA Planners regarding share equity schemes should be revised to ensure that full explanation of all of the options for the land/housing subsidy are presented. Graphic presentations should be made to ensure that illiterate people understand the options.
- ❖ The interests and expectations of potential beneficiaries should be exhaustively clarified and discussed at the outset to ensure maximum participation and fully informed decision-making.
- ❖ Urgent attention should be given to improving the valuations and legal processes to ensure that farmworkers' interests are fully protected and promoted. Below are some possibilities:
 - The DLA Planning Grant could be used to allow beneficiaries to obtain more than one valuation of the property and business.
 - The DLA contracts the services of a highly skilled valuator to assess the valuations being produced, alternatively the DLA appoints a skilled team of specialists tasked with scrutinising every equity scheme for its financial viability.

2. Beneficiaries' Assessment of the Schemes

Beneficiaries indicated overwhelmingly that a major reason for joining the scheme was to provide for their children, whether this meant educational opportunities or leaving an inheritance for the children. Another striking feature of farmworkers' responses was that they were disappointed in the lack of visible benefits, such as increased incomes or improved living circumstances. In most cases, farmworkers have no experience of investments and capital appreciation, and many will not wait for years before their circumstances improve.

A key reason for the lack of visible benefits is the nature of most equity schemes, which for the most part focus on capital-intensive production with long periods until the initial investment is recovered. Although private sector partners can accommodate such long waiting periods, it is difficult to convince weekly paid labourers that they will share in profits in eight years.

There are several options to address this, one of which is to encourage equity schemes which provide for regular cash flow. Fair Valley is one example where farmworkers plant noble cultivars on their own land but until their own grapes produce, they purchase grapes elsewhere and produce wine under their own label. Another possibility is to use DLA funds to subsidise a declining interest rate subsidy, and a further option is to establish equity schemes which specialise in cash crop production. Cash crops tend to have lower input costs, lower risk, and the benefits are seen more quickly, although in the long term they may not be as profitable as wine and deciduous fruit production

Recommendations:

- ❖ Visible benefits should be built into every year of the financial plan, and these targets should be communicated to workers. Workers should see at least one positive change

each year, however nominal, and the benefit should be related to the expressed needs of the workers. For example, the most pressing grievance of Warmwater workers was the lack of electricity, and at Ebukhosini the need for improved educational opportunities was expressed.

- ❖ It should be emphasised to potential beneficiaries that dividends may not be paid in the first few years in order to avoid frustrated expectations.
- ❖ To date, most share equity schemes are found in the fruit and wine sectors. The possibility of establishing equity schemes which focus on cash crop production should be investigated. The following should be considered:
 - establish equity schemes which specialise in cash crop production
 - encourage diversification into cash crop production at equity sites which specialise in wine or fruit production
 - give farmworkers at equity sites access to land for their own use (whether for cultivation or grazing)

3. Relations of Power and Skills Transfer

There is a significant imbalance of power in the rural areas, with the prevalence of tied housing ensuring that farmworkers have been socially, economically, and politically dominated by their employers and by white people in general. The research sought to establish whether relations of power had changed in favour of workers and the role of skills development in the process.

The research showed that workers at the schemes seem to influence some of the day-to-day decisions which are made, but they rarely participate in making financial and management decisions. This dynamic is influenced by various factors:

- the skill and expertise of the black managers at Whitehall and Warmwater enabled them to participate meaningfully in management decisions, but the lack of such expertise has excluded the other workers from the same processes;
- at Hoogland, the beneficiaries are still in the full-time employ of one of the shareholders, which gives the employer significant informal power when decisions are made;
- the lack of communication between workers and management was a particularly sore point at Warmwater and Whitehall. Workers were usually in the dark as to the financial status and management issues on the farm;
- a further factor is that among many farmworkers, there is an entrenched pattern of patronage and dependency, and the shift to taking responsibility and making decisions is a significant one.

It was clear that the lack of capacity of farmworkers to engage meaningfully in such decision-making played a significant role in the extent to which power relations had shifted. There is a case to be made for linking the development of skills with the transfer of responsibilities. The training programmes at the schemes were primarily oriented toward production skills (e.g. pruning and thinning) and developing an understanding of how equity schemes work. Skills development is therefore open-ended and bears little relation to the desired shift of responsibility and power to farmworkers. There is a need for clear goals in terms of capacity-

building to be set, such as the progressive transfer of some management responsibilities to one or more supervisors.

Recommendations:

- ❖ There should be regular reportbacks to all shareholders. Committee members often showed considerable knowledge of the farming business, but this information seems rarely to be passed on to other shareholders.
- ❖ There should also be frequent reportbacks between management and employees. Non-beneficiaries are excluded from shareholder meetings and there needs to be a regular channel of information to all employees. Furthermore, some issues need to be dealt with in a labour relations forum and others in the shareholder forum.
- ❖ Financial expertise should not be concentrated in the hands of the managers but should be spread more broadly. This should be done in three ways:
 - All shareholders should receive basic business training (this has been provided at some of the sites).
 - Additional farmworkers should be targeted for courses in budgeting and financial management.
 - Financial statements, budgets, and expenditure options should be presented to shareholders in a simplified and accessible format.
- ❖ Until beneficiaries develop the expertise to engage meaningfully in Farming Trust decisions, the possibility of allowing farmworkers to co-opt a skilled person to act on their behalf should be strongly considered. This option should be written into the Trust Deed.
- ❖ Business plans should include targets for skills development and the progressive transfer of management responsibilities to workers.

4. Labour Relations

With the exception of Whitehall, labour relations at the schemes were not characterised by high levels of conflict, and in the case of Ebukhosini labour relations have improved. However, the need for regular communication between management workers came up repeatedly. The conflict at Whitehall needs to be evaluated in the context sketched in this report, namely that the Farming Trust's heavy debt burden has put tremendous pressure on employees to work harder, cut costs, and accept low salary increases.

In terms of wages and working conditions, it would seem that these compare favourably with those on surrounding farms.

5. Position of Non-Beneficiaries

It was a concern of the research to discover whether non-beneficiaries felt they were treated differently from beneficiaries. In terms of the methodology employed in this research, the

term “non-beneficiary” was taken to mean people employed full-time in the scheme who were not shareholders in the scheme.

While there was no significant conflict between beneficiaries and non-beneficiaries at the schemes, there are problems in the way non-beneficiaries are treated: they are not given the same access to training opportunities (as at Ebukhosini), they are subject to pressures to work hard to ensure the scheme makes a profit (as at Whitehall), and they are sometimes not extended the same privileges as beneficiaries (as at Warmwater). It is significant that 27 of the 30 non-beneficiaries at Whitehall have left the farm.

The distinction between workers and shareholders is often blurred, and it is clear that this has led to management making decisions based upon who holds shares, which is clearly discriminatory.

Recommendations:

- ❖ Management at equity schemes should draw up employment contracts with all workers, and the wages and working conditions of beneficiaries should not differ from those of non-beneficiaries.
- ❖ Information to potential shareholders should emphasise the distinction between shareholders and employees, and should stress that the wages, working conditions, and skills opportunities of non-shareholders are the same as those of shareholders.
- ❖ In order to recognise the contribution of both shareholders and non-shareholders to the success of an enterprise, profit-sharing should be introduced at equity sites.
- ❖ The impact of share equity schemes on the employment of seasonal and casual workers should be the subject of further research, and proposals regarding increased remuneration should be considered.

6. Gender Relations

It is very disturbing that all of the business plans interpret the “promotion and protection of women’s interests” as consisting only of representation on the workers’ legal entity. This is a very narrow definition and ignores the most important vehicle for women’s empowerment, namely through economic opportunities. At the equity sites, not only was the promotion of women’s economic interests ignored, it was also seriously undermined by the discriminatory wage structures.

The DLA does not entertain gender discrimination at a policy level, however it is in the implementation of policy that gender stereotypes are often confirmed by DLA Planners. It is in the details of the business plan these issues can be addressed, for example in setting targets for the provision of training opportunities for women and the achievement of employment equity. The Employment Equity Act sets out clear guidelines in this regard, and the business plan should seek to promote the realisation of the requirements of the Act.

Another troubling aspect was that there is a strong perception on the part of beneficiaries that men “hold” the shares on behalf of their households. This has been reinforced by the practice of allowing the man’s name to appear first and listing the woman’s name as “co-applicant”.

Recommendations:

- ❖ All application forms for DLA subsidies should follow a standard format which always lists the woman’s name first. The man’s name should appear second (if a qualified adult male is part of the household), and the term “co-applicant” should not appear on any application form.
- ❖ Every shareholder, whether an employee of the scheme or partner of an employee, should receive a share certificate to ensure that every applicant for a DLA grant realises that s/he has a legal claim to the business.
- ❖ Before a share equity project is approved by the Department of Land Affairs, the applicants should be required to produce a plan for the realisation of gender equity in accordance with the Employment Equity Act. This would include:
 - an employment profile of the farm, including number of women employed and in which positions
 - a comparison of the wages, jobs and working conditions of women and men, and time frames for achieving gender equity at the scheme

7. Issues of Tenure Security and Entry/Exit

The beneficiaries appeared to feel secure at the schemes. However, they expressed the wish to sever the link between their accommodation and the equity scheme so that they could have the option in future of finding a job elsewhere or selling their house. As long as housing is still tied to employment, as it is at some equity sites, farmworkers will continue to have their choices and mobility seriously restricted.

At Hoogland and Whitehall, beneficiaries understood the rules around entry and exit from the scheme, but there was much confusion at Ebukhosini and Warmwater. Workers become very anxious about this issue, for it has serious implications for their future plans. At the Hoogland, Ebukhosini, and Warmwater sites, the lack of personal share certificates was a cause for insecurity on the part of farmworker beneficiaries.

Tenure security is a fundamental plank in the land reform platform and it should be secured in every redistribution project. The reality among farms is that farmworkers have been subject to perpetual insecurity for decades, which has had the following consequences:

- farmworkers have had minimal input into the actual content of the Trust deeds, which contain clauses about tenure;
- farmworkers’ lack of exposure to investments and capital goods mean that immediate demands – especially those of extended family networks – will be satisfied at the cost of sacrificing long-term security;
- Extension of Security of Tenure Act states that positive steps must be taken to secure tenure, and relying on legislation which governs evictions does not qualify as a positive measure.

It is the recommendation of Lyne et al that beneficiaries leaving the employ of an equity scheme should cease to be shareholders.¹ If this means giving up one's accommodation then this is very problematic, however if tenure is secured and distinct from the scheme, it would be possible to specify the compulsory sale of shares.

Recommendations:

- ❖ Every share equity scheme should make provision for secure tenure by implementing one of the following options:
 1. Farmer donates land for residential area. The land would have to be suitable for settlement and acceptable to beneficiaries;
 2. A notarial deed of right of residence is registered. This would provide written confirmation of individual rights granted under Extension of Security of Tenure Act (ESTA), but it would not convey rights additional to ESTA.
 3. A notarial deed of personal servitude is registered. These individual rights would be registered on the title deed and could include rights additional to ESTA. This is a flexible mechanism as the content of this right can be determined by stakeholders.
 4. A long-term lease is registered, which amounts to ownership.
- ❖ Every household should be issued with a certificate stating that s/he has a share in the business or property through the Workers' Trust. Where two adults hold shares as a household, certificates should be issued to both adults to ensure that women are not under the impression that men "hold" the shares.
- ❖ Guidelines around entry and exit should appear in the legal document which establishes the legal entity. Every shareholder should receive a simplified version of this document (this could be along the lines of the Worker's Handbook drawn up at Whitehall).

8. Conclusions

Equity schemes as farmworker investments

Share equity schemes are a risky business. They are subject to fluctuating circumstances over which the farming community often has no control, such as interest rates, product prices, and climatic conditions. They are management intensive, and when poor management decisions are taken – as has been described in this report – the entire project can be in jeopardy. Given these enormous risks, share equity schemes should be embarked upon with great circumspection given the importance of the farmworkers' R16,000 investment. The return on investment for a given equity scheme may well be lower than conventional investments with much lower risk profiles.

Capacity-building

The farmworkers who become shareholders in equity schemes are for the most part poorly educated and often disempowered by generations of domination, and this makes meaningful participation in management and financial decision-making an extremely ambitious goal.

¹ M. Lyne, D. Graham, B. Pieters, J. Hamman, and P. Zille, "Feasibility Study for the Support of Commercial Land Transfer Projects," Unpublished Report prepared for the DLA, p. 6.

The amount of capacity-building and information provision has been under-estimated, and a significant portion of time has to be invested in building trust, explaining complex details, and developing an understanding of how businesses work.

An assessment should be made in the feasibility process as to whether it is likely that farmworkers will eventually be able to participate in decision-making and change the power relationships.

Percentage stakeholding

A crucial choice made at the beginning of projects is the percentage shareholding that farmworkers will own. A negligible stake in a farm enterprise cannot reasonably be called a partnership. If farmworkers are not really partners in the scheme, there are disincentives to work harder: if workers double their output, most of these gains will accrue to the majority shareholders, and other incentives therefore have to be built into the project. It is therefore a recommendation of the research that there should be a minimum percentage shareholding for an enterprise to be accepted by the Department of Land Affairs as a share equity scheme.

It should also be noted, however, that a stake of 50% will ensure that the balance of power rests with farmworkers on paper, but the extent to which this is translated into equal power relations on the farm is questionable. A 50% shareholding would have to be combined with a programme for the progressive transfer of skills and responsibilities to farmworkers.

Creation of Rural Livelihoods

The schemes had differential impact in terms of job creation. At Whitehall, which was an existing venture, a significant number of jobs were shed as productivity increased. At Northridge, where workers have acquired a stake in a packing plant, seasonal workers have become permanently employed. Hoogland was a new venture, and it has already begun to spawn new micro-enterprises. It is noteworthy that the one scheme which did not create new jobs (namely Whitehall) was a project where the main motivation for the commercial farmer was debt reduction.

Clearly the creation of new jobs and business opportunities is possible in equity schemes, and there should be a strong bias towards those schemes which have positive economic benefits for the rural economy in general.

Separation of roles of shareholder/employee

A number of problems arose in the schemes owing to the conflation of the roles of shareholders and employees. Mechanisms should be put into place to ensure that these roles are kept separate and for this to be clearly communicated to all workers.

One manifestation of the blurring of these roles is the lack of financial incentives for non-beneficiaries, who can be put under pressure by beneficiaries to work harder in order to maximise profits. There is a strong argument to be made for introducing profit-sharing, whereby a portion of the profits would be paid to all employees to recognise their contribution to the success of the project. Profit-sharing differs from shareholding in that a proportion of profits is paid before decisions are made by all shareholders regarding whether dividends will be paid. This would also address the problem of "passive shareholders," who in the case of equity schemes are either third-party investors or beneficiaries who have left the scheme and have not been paid out their shares.

DLA Issues

One of the findings of the research was that there was insufficient follow-up provided by the Department of Land Affairs, although a Monitoring and Evaluation (M&E) system is in the process of being developed. Essentially, the DLA has no power over the project once designation occurs, so when a project goes awry and the private sector is not keeping to agreements, no action is taken. Many of these problems relate to the lack of DLA control over post-transfer support, and these problems therefore also apply to other redistribution projects.

A monitoring and evaluation system should be finalised and implemented as a matter of urgency. Consideration should be given to the use of the post-transfer fund to pay an additional amount to equity schemes after one or two years of operation if targets set out in the business plan are met (such as equal pay for equal work and the provision of visible benefits). This would provide an incentive for all partners in equity schemes to set realistic goals and to meet them, and would give the DLA some clout when conducting follow-up.

1. Introduction

In the last few years, farm equity schemes have become a favoured and widely publicised option of the land reform programme. They are part of a broader restructuring of the agricultural sector, which is responding to global markets and the introduction of new labour and tenure legislation for farmworkers.² The challenge is to transform a labour environment characterised by low levels of job satisfaction (and its corollary of low productivity), low incomes, and high labour turnover. As noted by Eckert et al, employers can respond to the changing global and labour environment either by a) reducing labour costs by restructuring the work force, changing technologies, and adjusting the mix of capital and labour; or b) increasing productivity by capturing the workforce's capacity for commitment and innovation.³

It is the latter option that share equity schemes attempt to address. They offer the potential for redistribution of land ownership, increased incomes, worker participation in decision-making, and re-capitalisation of farm operations.⁴ Furthermore, the schemes offer advantages over other land reform projects: they leverage skills and finance from the private sector, transfer knowledge and business acumen to beneficiaries, and thereby widen the scope of the land reform programme. The project cycle of share equity projects is also shorter than other redistribution projects, which speeds up delivery.⁵ There are currently some 50 equity share schemes in South Africa at various stages of development.⁶

There have also been a number of concerns raised about share equity schemes. Sceptics say that the schemes are simply a way for commercial farmers to increase productivity, eliminate strike action, and pay off debts and/or leverage capital without the burden of high interest payments. While there appear to be many advantages for farmworker beneficiaries, there is often a difference between advantages as they are perceived by outsiders as opposed to farmworker beneficiaries.

The Surplus People Project (SPP), whose mission is to promote the rights and interests of the economically and politically marginalised, was concerned about how these schemes were affecting the day-to-day lives of beneficiaries and whether their expectations had been met. SPP therefore decided to conduct an assessment of the effects of the schemes on farmworker beneficiaries, with the primary source of information to be farmworkers themselves.

The aim of the research was therefore to discover whether the expectations of farmworkers have been met and to assess whether the objectives of the land reform programme were being achieved, such as gender equity and redistribution. Further aims of the project were to disseminate the research results in an accessible form to stakeholders interested in embarking on land reform projects, and to suggest further areas of research. For a more complete

² See J. Ewert and J. Hamman, "Labour Organisation in Western Cape Agriculture: an Ethnic Corporatism?", *Journal of Peasant Studies* 23 (2/3) 1996, p. 695.

³ J. Eckert, J. Hamman, and J. Lombard, "Perceiving a New Future: Empowering Farmworkers through equity sharing," *Development Southern Africa* 13 (5) 1996, p. 695.

⁴ Eckert et al, "Empowering Farmworkers", p. 695.

⁵ Interview with F. Shabodien (Western Cape DLA), Cape Town, 22 October 1998.

⁶ M. Lyne, D. Graham, B. Pieters, J. Hamman, and P. Zille, "Feasibility Study for the Support of Commercial Land Transfer Projects," Report prepared for the Department of Land Affairs: Redistribution Policy, June 1998, p. 2.

description of the objectives of the research, please refer to the research proposal in the Appendix A.

It is important to emphasise that this report does not attempt to evaluate all aspects of share equity schemes, such as financial viability and structural arrangements. However, the constraints imposed by these factors have been taken into account in formulating the recommendations.

1.1 Definition and Typology of Share Equity Schemes

There are numerous examples in the agricultural sector of farmworkers entering into partnership with commercial farmers, large-scale agricultural enterprises, and financial institutions. Two examples are the “develop, operate, and transfer schemes,” whereby the private sector builds, operates and transfers infrastructure to the state, and contract farming, where firms provide financing and technical assistance to emerging farmers, who are under contract to sell their crops to the company at a certain price.⁷

Some of these partnerships take the form of joint ventures, whereby farmworkers enter into agreements with commercial farmers/enterprises. Hamman has provided a typology of joint ventures:⁸

- On-farm share equity schemes (existing development)
- Off-farm share equity schemes (new development)
- Share-cropping arrangements
- Resource sharing arrangements
- Downstream share equity schemes

This report examines case studies in the first two categories: three on-farm share equity schemes (Ebukhosini, Whitehall, and Warmwater) and one off-farm scheme (Hoogland). For the purposes of this report, share equity schemes are defined as ventures in which farmworkers enter into a joint enterprise with a commercial farming enterprise and/or third-party investors.⁹

2. Methodology

The research project was initially conceived in August 1998 and a draft terms of reference was drawn up and submitted to the Land and Agriculture Policy Centre (LAPC) for funding. The terms of reference was also distributed to the national Department of Land Affairs (DLA) and to its provincial offices in Mpumalanga and the Western Cape and to other non-governmental organisations (NGOs). These comments were then incorporated into the final terms of reference (see Appendix A).

⁷ See, for example, C. McKenzie, “Providing Access to Commercial Farming in the Western Cape: An analysis of the fiscal performance of alternative farm models”, in Michael Lipton, Mike de Klerk, and Merle Lipton, eds., *Land, Labour and Rural Livelihoods in Rural South Africa*, vol. 1: Western Cape (Durban: Indicator Press, 1996); S. Bonti-Ankomah, “Evaluation of Options for Tongaat-Hulett Sugar Company,” Unpublished Paper, 1997.

⁸ J. Hamman, “A Typology of Joint Ventures in Land Reform”, Unpublished Paper, 1998. This paper provides examples of each type and lists the potential advantages and disadvantages of each.

⁹ This is close to the definition given in Lyne et al, “Commercial Land Transfer”, p. 2. At Warmwater, farmworkers entered into a joint enterprise with an investor to wholly acquire a commercial farm, i.e. there was no partnership with the commercial enterprise itself.

The following were the research components:

- a) Secondary research: information was collected on equity share schemes in general. Literature on the subject is not extensive and much of the information is in unpublished form. A list of sources is provided in the bibliography.
- b) Primary research (documents): the provincial DLA offices provided business plans on the case studies which were chosen. Business plans from other equity schemes were also made available, however time constraints meant that these could not be analysed in depth.
- c) Primary research (interviews with stakeholders): various stakeholders were interviewed to ascertain their experience of and policies regarding share equity schemes. These included officials in the Western Cape Department of Agriculture, national and provincial DLA offices, and NGO workers.
- d) Primary research (interviews at case study sites): the case studies were chosen in consultation with the DLA national and provincial offices. The potential number of sites was quite limited owing to the age of the schemes: it was felt that the schemes should have been in operation for at least 18 months, and few schemes fall into this category.

In Mpumalanga, Hoogland was chosen owing to its potential replicability despite the fact that it is a relatively small project (five farmworker beneficiaries), and Ebukhosini is a well-established project with an interesting project structure. In the Western Cape, Whitehall was chosen as it was the first equity share scheme in the country, and an in-depth study of the scheme was carried out in 1995, providing some baseline data.¹⁰ The Warmwater project was selected owing to its length of operation and also because it was well-known that it had run into problems: this report did not wish to concentrate only on the apparent success stories.

A detailed interview schedule was drafted, and this was followed very closely during the interviews. The research at the Mpumalanga sites was conducted by Sam Bonti-Ankomah, who was assisted by a fieldworker/translator, Keneuoe Mosoang. Sam first made a preliminary visit to the sites in order to arrange for interviews on his subsequent visits, and interviews were conducted at Ebukhosini on 7-8 November 1998 and at Hoogland on 31 October & 1 November 1998. Hildegard Fast conducted the interviews at Whitehall on 10 & 19 November 1998 and at Warmwater on 18 November 1998. She was accompanied by Boyce Williams, who assisted with the translation and interviewing.

At each site, interviews were conducted with two beneficiaries, one non-beneficiary¹¹ (if applicable), the commercial partner, and in some cases a member of management. To ensure that a broad sample of beneficiaries was consulted, a focus group discussion was held at each site involving between 10 and 15 people (with the exception of Hoogland, which has five beneficiaries). While it was considered unlikely that any negative comments from farmworkers in the interviews would result in punitive action against them, the names of all farm interviewees have been omitted in this report as a precautionary measure.

¹⁰ See Eckert et al, "Empowering Farmworkers".

¹¹ See Section 9 for a definition of "non-beneficiaries".

e) Workshop proceedings: the draft report was circulated and a workshop was convened on 11-12 February 1999 to discuss the findings of the report. A list of workshop participants is provided in Appendix B. Throughout this report, the workshop discussions will appear at the end of each relevant section of the report.

The research therefore drew on a wide range of sources. It should be recognised, however, that share equity schemes are a recent phenomenon in South Africa, and as such a comprehensive evaluation – regardless of the sample size – is not possible. This report is but a snapshot of four equity schemes, and it seeks to point out some of the problems experienced by farmworkers at these equity sites. As circumstances change at the sites, so will farmworker perceptions, which makes it imperative for similar evaluations to be conducted in the future.

2.1 Relationship between shareholding and employment

In the course of conducting the research, it became clear that some of the issues emerging at share equity sites relate to the conflation of the two roles played by farmworkers: on the one hand they are shareholders of the farm, on the other they are employees of the farm. This conceptual confusion cropped up consistently in the interviews, and throughout this report the blurring of the two roles will be highlighted and recommendations will be made in this regard.

3. Background to the Schemes

All of the four schemes differed considerably from each other in terms of history and landholding and management arrangements, and it is impossible to assess each scheme in isolation from the context and details of the project. This section will give a brief background to each of the schemes; given that the nature of equity schemes is that they are usually very complex in terms of structure and legal arrangements, only the rudimentary outlines of each scheme are given here.

Hoogland Chickens cc

Five workers employed on the farm Hoogland, on the outskirts of Nelspruit (Mpumalanga), acquired one hectare of land from their employer for the purpose of establishing a broiler farm. There are seven equal shares of R10,000 each in the farming enterprise of Hoogland Chickens cc: each worker has one share, the farmer has one share in return for transferring one hectare of land to the enterprise, and a Pretoria businessman invested in the scheme and also holds a share. The total of R70,000 was therefore used for acquisition of the land and start-up costs. In terms of the typology given in section 1.1, Hoogland is an off-farm share equity scheme.

The R15,000 DLA grant to the five farmworker beneficiaries was divided: R10,000 was invested in Hoogland Chickens cc, which owns the land and farming infrastructure, and R5,000 was set aside as a deposit for the houses in which the workers currently live. The five formal structures were recently built by the farm owner and are on the Hoogland Chickens land. The houses have been valued at R50,000 each, and workers will have the option of taking bonds out to acquire title to the houses.¹²

¹² Hoogland Chickens cc: Development Planning Proposal, 10 July 1996.

Since the workers are employed full-time on the original farm, on which lavender grass is grown, the chicken enterprise is operated in their spare time. This makes the terminology confusing as there are two farm enterprises, therefore in this document the farm on which the workers are employed will be referred to as the main farm, and the chicken project will be referred to as the equity scheme project. In discussing labour relations, the interviewees often conflated their relations with the owner of the main farm with dynamics in the equity scheme.

Application for the DLA subsidy for Hoogland was made in March 1996, the land was designated in April 1997, and transferred in July 1998. Despite the delays in the transfer, the project was effectively operating by mid-1997. The chicken enterprise has already resulted in an enterprise connected with essential oils production, and plans for a small-scale abattoir are being considered.

Since the launch of the scheme, one worker has died, and his shares are being held in trust for his son (the deceased worker did not have a partner at the time of his death).

Ebukhosini

Ebukhosini is in the Badplaas area about 100 km east of Nelspruit in Mpumalanga.

Negotiations at Ebukhosini started in 1993/94 for workers to acquire a stake in a large farm enterprise. All permanent workers were invited to join the scheme, and of the 200 workers at the start of negotiations, 110 decided to become shareholders in the on-farm equity scheme.

The structure of the scheme at Ebukhosini is the most complex of the four case studies. The basic sequence of events was as follows:

- workers established Ebukhosini Trust, which is the vehicle through which all employee transactions were channelled. Each household wishing to participate was asked to demonstrate their commitment to the scheme by investing R1000 in Ebukhosini Trust
- 110 employees invested their R15,000 grant in Ebukhosini Trust, making R1,650,000
- Ebukhosini Trust then transferred the full amount of R1,650,000 into Ebukhosini Farms (Pty)
- Ebukhosini Farms then bought three farming properties from D Kieviet Farms for R1,500,000
- Ebukhosini Trust took out loans for R440,000 for livestock and equipment (secured by the land owned by Ebukhosini Farms), and then sold this to the newly-established Farming Company in return for R440,000 in shares
- D Kieviet Farms sold some of its livestock and equipment to the Farming Company in return for R500,000 of shares
- the Farming Company rents land from Ebukhosini Farms as well as from other farms owned by the Kieviet family. The rental income to Ebukhosini Farms goes toward the loan to Ebukhosini Trust
- the Farming Company took out a R1,000,000 loan for additional livestock, and the loan was secured by loose equipment and livestock
- Ebukhosini Trust is to assist its members to establish a share block scheme on the land owned by Ebukhosini Farms, and Ebukhosini Farms in turn will take out loans for the provision of housing infrastructure. These loans will be serviced in part by the rental

income from the Farming Company. Individual members of the Trust will then take out loans to build their own houses¹³

- farmworker beneficiaries receive dividends from the profits of the Farming Company, which are shared equally amongst them

In effect, the farmworkers hold 40% of the share of the Farming Company, with Dr Kieviet, his son, and his son-in-law holding 40%, 10%, and 10% respectively. However the workers wholly own Ebukhosini Farms, which holds the three farming properties, and Ebukhosini Farms receives income each year through leasing its land to the Farming Company. The scheme at Ebukhosini has been running formally since September 1997, and workers were recently paid their first dividends. A second phase of the project is now being contemplated.

As this is the most complicated of the schemes, a simplified diagram is provided:

Farming Business

Farm business leases additional properties from Kieviet family

Trust borrows R440,000 to acquire stake in Farm Business

Trust transfers R1.65m to Ebukhosini Farms

Farm business pays rent for lease of 3 farms

Ebukhosini Farms buys 3 farming properties for R1.5m

Whitehall

Whitehall is an on-farm equity scheme in Grabouw, a fruit-growing region some 80 km from Cape Town. The equity scheme at Whitehall was the first of its kind in South Africa, and as with Ebukhosini, it was initiated before the DLA provided grants for equity schemes. Negotiations began in 1993, and the farm was valued at R18 million by Standard Bank and at R31 million by the DBSA. The latter valuation was accepted as the basis for the sale of shares.

The Workers' Trust was established on behalf of 129 workers, and the Trust then took out loans totaling R15,5 million in order to secure a 50% stake in the Whitehall Farming Trust and a 50% stake in the Whitehall Landholding Company (the two companies were separated for tax reasons). The remaining 50% stake in each entity is held by the Hall Family Trust. The Workers' Trust interest payments have been secured by mortgages and personal pledges from the Hall Family Trust for 12 years. If the payments are not met, the employees can claim the Hall Family Trust's shares as penalty.

¹³ This information was drawn from Project Ebukhosini: Second Draft Addendum Report, 5 December 1995.

Shares in the Workers' Trust were allocated to permanent workers only, and the number of shares was calculated according to length of service and income. Whitehall applied for the DLA grant in May 1998, and 121 households have applied (some of these were not initial shareholders). Since the current rules around share allocation and exit and entry are different from DLA guidelines, the DLA grant will result in the issuing of a second "class" of shares which are to be held by households (as opposed to individuals) and are not subject to compulsory sale. The DLA grant will be used to retire some of the Workers' Trust debt, and the new class of shares will not be saleable or redeemable for five years unless the household wishes to buy land. The DLA grant will make up 5% of the total price of the farm and 10% of the shares in the Workers' Trust.¹⁴ Some of the households that have applied for the DLA grant do not have any members working on the farm (e.g. retired workers), although they currently do reside there.

Despite a very promising start,¹⁵ the Whitehall scheme has experienced serious problems over the past two years owing to a decline in prices and a steep rise in the interest rate. In addition, one of the loans was provided interest-free by the Independent Development Trust for a period of five years; now that the time has elapsed, the Farming Trust faces significantly higher loan repayments.¹⁶

There were 159 permanent workers on the farm when the scheme was launched, of whom 129 became shareholders and 30 declined to join. There are currently 111 permanent workers on the farm, of whom 108 are shareholders and 3 are non-shareholders.¹⁷ The reasons for the decline in the number of workers are explored later in this document.

Warmwater

Warmwater is an on-farm share equity scheme¹⁸ located 34 kilometres outside Montagu in the Western Cape. The workers at Warmwater were originally farmworkers who lived and worked on the farm of Killarney. There was tension between the farm owner and the workers, who were supported in their request for higher wages by the farm manager, Mr Sighardt Gaugler. Mr Gaugler suggested to the farmworkers that they form a company and buy the farm on which they lived. They established a company in 1995 called Nuwe Begin, and each worker was required to pay R20 per week for a year as start-up capital for the company. The company has five directors elected by shareholders, and there were initially 35 households involved (this later declined to 32).

Nuwe Begin's negotiations to buy Killarney did not succeed owing to lack of agreement on price, and the farmworkers were faced with the prospect of losing their jobs and homes. Nuwe Begin then searched for another farm in the area and entered into partnership with NewFarmers Development Company to buy Warmwater farm, a 543-hectare fruit farm outside of Montagu. NewFarmers is a company whose mission is to promote reform and

¹⁴ Whitehall Business Plan, August 1998.

¹⁵ The scheme was thoroughly evaluated in October/November 1995, and the results were quite positive: see Eckert et al, "Empowering Farmworkers".

¹⁶ Interview with J. Hamman, Cape Town, 23 October 1998.

¹⁷ Whitehall, Interview with Farm Manager, 19 November 1998.

¹⁸ In terms of Hamman's typology, Warmwater is somewhere between an on-farm and off-farm equity scheme: it is a new venture on a different farm, but it is an existing farm enterprise.

redistribution in the land and agriculture sector, and to integrate clients from developing communities into the mainstream of commercial agriculture.¹⁹

There were farmworker households living at Warmwater, and NewFarmers arranged for them to be employed and accommodated on other farms in the area. In August 1996 an application was submitted to the DLA for R480,000 to purchase a stake in the Warmwater Farming Trust on behalf of 32 farmworker households. The shareholding was 50% NewFarmers, 45% Nuwe Begin, and 5% Sighardt Gaugler; Nuwe Begin and NewFarmers were entitled to equal representation on the Trust, with Mr Gaugler in an ex-officio capacity. Only 22 households were initially to be housed at Warmwater, with the remaining 10 living at another NewFarmers scheme until houses were built for them at Warmwater.²⁰

The scheme relied heavily for leadership and management expertise on Mr Gaugler, however he obtained a job in Swellendam and attempted to manage the farm “by remote control”.²¹ The farm ran into difficulties, and shortly before this research commenced, NewFarmers was seriously contemplating liquidation of the Warmwater Farming Trust. However NewFarmers undertook to invest further in the farm to upgrade it substantially. The change in circumstances means that Nuwe Begin’s shares will be diluted significantly.²²

It seems that the farm was not initially capable of sustaining all 32 households: at least 10 households do not live or work on the farm, and some of them may be accommodated at the NewFarmers scheme at Verlorenvlei near Ceres.

Summary of Land, Business, and Housing Arrangements

The schemes have been structured differently, which has had an impact on how the projects have operated. A summary is given below:

	Business	Land	Housing
Hoogland	5 Benef own 1/7 share each in Hoogland Chickens cc; farmer and outside investor hold remaining 2/7	Benef own land indirectly through Hoogland Chickens cc	Benef to take bonds of R45,000 each for houses already built on their land
Ebukhosini	Benef own 40% of farming business	Benef own 100% of 3 farms through Ebukhosini Farms (the farming business consists of numerous farms)	Landholding company to provide housing infrastructure in future, benef to take out individual loans
Whitehall	Workers’ Trust owns 50% of farming company	Workers’ Trust owns 50% of land company	As farm makes a profit, houses to be built off-farm and workers may access individual loans
Warmwater	Benef own 45% of Farming Trust	Benef own land indirectly through Farming Trust	Farming Trust is to upgrade houses

N.B. “Benef” = beneficiary households

¹⁹ The philosophy of NewFarmers is based on partnership (investing in people to maximise profit) and profit (minimum 20% return in the long-term). For further information on NewFarmers, see C. Crossley and S. Hobson, “NewFarmers Development Company Ltd: Background to the Development Agenda”, Unpublished memorandum, 20 March 1998.

²⁰ The information in this section was based upon Nuwe Begin Project: Appraisal Report, 14 March 1996; and DLA Director-General to Minister, Memorandum, 14 April 1997.

²¹ Interview with H. le Roux, S. Hobson, & C. Crossley of NewFarmers, Durbanville, 9 November 1998.

²² Interview with H. le Roux, S. Hobson, & C. Crossley of NewFarmers, Durbanville, 9 November 1998.

4. Establishment of the Scheme

The beginning stages of projects have a profound influence on the outcomes. For this reason, it is of key importance to ascertain how a scheme was initiated and the extent to which all stakeholders were on board from the start. This section describes the activities that took place before the schemes were formally established and examines the reasons given by non-beneficiaries for not becoming shareholders.

At *Hoogland* farmworkers were dissatisfied with their wages, and the farm owner suggested that workers could increase their salaries through other methods. She investigated the possibility of a share equity scheme with the DLA and then told workers of the requirements. One beneficiary indicated that he would have preferred to receive more information about the project before embarking upon it.²³

Once they decided to join, the farm owner lent the workers money to purchase the land and establish the business until such time as the DLA money was transferred. The Department of Agriculture conducted a feasibility study which suggested that the scheme would encounter difficulties owing to lack of management systems in place, but the DLA was satisfied that these problems could be addressed.²⁴

The *Ebukhosini* scheme was initiated by the farm owner around 1993/94, when he started discussions with permanent farmworkers. The farm owner's stated reason for establishing the scheme was that he wished to help his farmworkers.²⁵ The firm of Coopers & Lybrand was brought in to explain how the scheme would work, and consultations were also held with Prof Johan van Rooyen of Pretoria University.²⁶

At a later stage, representatives of the DLA visited the site and held discussions with the committee (but not with the whole group). One beneficiary, who was the chairperson of the Trust, stated that the DLA explained that the options were to buy land or a house, while the focus group and another beneficiary said that no other options were explained.²⁷

Some people did not wish to join the scheme. According to the farm owner, this was owing either to a husband or wife discouraging his or her spouse from joining, or to farmworkers fearing that they would be robbed by white people.²⁸ A non-beneficiary at the site stated his reasons for refusing to join:

I wouldn't want to be part of the Trust when somebody still manages the farm and he takes decisions on our behalf... I don't want to own a farm as a group. If I buy a

²³ Hoogland, Interview with Beneficiary 1, 7 November 1998.

²⁴ Hoogland, Interview with Commercial Partner, 8 November 1998; interview with Mpumalanga DLA Planner, 11 November 1998; Project Ebukhosini: Second Draft Addendum Report, December 1995.

²⁵ Ebukhosini, Interview with Commercial Partner, 31 October 1998.

²⁶ Project Ebukhosini: Second Draft Addendum Report, December 1995.

²⁷ Ebukhosini, Interview with Beneficiary 1 and Focus Group workshop, 31 October 1998; interview with Beneficiary 2, 1 November 1998.

²⁸ Ebukhosini, Interview with Commercial Partner, 31 October 1998. The fear of being "robbed" by the farm owner was also expressed in the Focus Group workshop.

farm, it shouldn't be communal but mine, where I will have a say and run it the way I see fit.²⁹

Contributing factors to his decision were that he did not wish to move to the piece of land which the Trust was buying, and he had heard "from somewhere" that he could access the grant for his own house.

At *Whitehall*, the scheme was initiated by the owner of the farm for two reasons: to solve his cash flow problem and to share the benefits of his farm with his workers. His initial intention was to make 30% ownership of the farm available to workers, but the DBSA had advised him to "make a clean deal" and sell 50% of the farm. The Standard Bank played a key role in conducting a viability study.³⁰

Farmworkers were drawn into the process around the time that the DBSA became involved. The scheme was explained to potential shareholders primarily by the accountant, the black farm manager, and the Standard Bank loans manager. A handbook produced for workers stated that joining was voluntary and that whatever they decided, their job was secure. Workers were warned that the repayment of the loans meant that profits would not be so high in the initial years, but that the farm had a good profit record and the risk was "very small".³¹

The Farming Trust has now put in an application to the DLA for the R16,000 subsidy, which is available to shareholders as well as to those who live on the property. One retired worker indicated that she had agreed to apply for this subsidy, but the other options had not been explained to her (for example, accessing a housing subsidy through the local municipality).³²

The non-beneficiary interviewed at Whitehall said that he did not join because he did not understand how the Trust was supposed to work, and they were told that the farm was in debt. At first he declined to join, and then after the scheme started he approached a member of the Hall Family Trust to join, but he felt he was rebuffed by this person, who questioned whether the non-beneficiary was joining for himself or for the group as a whole.³³

At *Warmwater*, the idea of starting the equity scheme came from the manager at Killarney, where the farmworkers were employed. When the farmworkers' request for higher wages was refused by the land owner, the farm manager persuaded the workers to consider putting their subsidies together to buy a farm.³⁴ When the farmworkers lost their jobs at Killarney and were evicted, they joined together with NewFarmers Development Company to buy Warmwater. The threat of joblessness and homelessness therefore seems to have been a motivating factor for the farmworkers.

It was the perception of at least one of the workers that the process of appraising and buying the property was flawed. (This is with the benefit of hindsight, as the farm has not been as productive as expected.) This beneficiary claimed that the farm manager who persuaded them to buy a farm was a friend of the owner of the farm which was eventually bought. The land owner apparently took all of the valuable equipment with him, leaving behind outdated

²⁹ Ebukhosini, Interview with Non-beneficiary, 1 November 1998.

³⁰ Whitehall, Interview with Commercial Partner, 19 November 1998.

³¹ Whitehall, Workers' Handbook, no date.

³² Whitehall, Interview with Beneficiary 2, 10 November 1998.

³³ Whitehall, Interview with Non-beneficiary, 10 November 1998.

³⁴ Warmwater, Interview with Beneficiary 2, 18 November 1998.

implements and machinery. Furthermore, the water and soil quality were poor and the trees had been poorly planted. In the view of this shareholder, this had significantly prejudiced the success of the scheme.³⁵

In the focus group discussion, one of the participants also said that the farm was left in a poor state, for the trees had not been thinned and the harvest was consequently poor.³⁶ The current farm manager added to this by saying that the farm was a very poorly planned one and difficult to manage, and the inaccurate valuation of the business was confirmed by a facilitator.³⁷ Against this information now coming to light, the business plan indicates that both ABSA's Agricultural Division and the Department of Agriculture agreed that the farm was worth R2.1 million.³⁸

After the new Farming Trust went into operation, it became apparent that the farm could not sustain all 32 households. Only 18 households now live on the farm, and the others have either left the scheme (and not been cashed out), or they live and work at another NewFarmers scheme at Verlorenvlei.³⁹ There is therefore substantial evidence to suggest that the appraisal of the farm was flawed in terms of productivity and livelihood creation.

There is currently much confusion at the farm over the future of shareholding arrangements. It was apparent from the interviews and focus group discussion that shareholders were not fully aware that the farm had been close to liquidation, and that it was only the decision of NewFarmers to invest significantly in its improvement that had staved off the termination of the scheme. Workers expressed confusion over what the new arrangements would be: how much would their shares now be worth, would they have less decision-making power if their shares were diluted, and how much was the additional equity stake in the farm being sold for?⁴⁰

4.1 Discussion

At three of the schemes, the process of initiating and driving the scheme came from the original farm owner. In the case of Warmwater, the white farm manager conceived the idea and was a moving force behind the establishment of the scheme, although the establishment of the company and the search for an appropriate farm appears to have drawn farmworkers into the process more actively than at the other schemes.

While beneficiaries were drawn into the process at an early stage, three issues need to be highlighted:

1) Land reform and housing options were not always fully explained to potential beneficiaries. In two of the cases this could not be avoided, since DLA policy had not yet been formulated. Full explanation of all of the options is an essential requirement, for equity

³⁵ Warmwater, Interview with Beneficiary 2, 18 November 1998.

³⁶ Warmwater, Focus Group workshop, 18 November 1998.

³⁷ Warmwater, Interview with Farm Manager, 18 November 1998; Interview with J. Hamman, Cape Town, 23 October 1998.

³⁸ Nuwe Begin Project: Appraisal Report, 14 March 1996.

³⁹ Warmwater, Interview with Supervisor, 18 November 1998. If Warmwater eventually turns a significant profit, then the plan is to acquire another farm and employ the shareholders currently living and working elsewhere.

⁴⁰ Warmwater, Interview with Beneficiary 2 and Focus Group workshop, 18 November 1998.

schemes limit residential and employment mobility and it is imperative for farmworkers to understand all of the implications of this. The DLA has produced flyers on share equity schemes, however these do not cater for the many potential beneficiaries who are illiterate.⁴¹

2) Farmworkers did not participate in decisions around the financial and legal arrangements of the schemes. To a certain extent this is understandable, for equity schemes are extremely complex and require a high level of expertise. However, if poor decisions are made at the outset, farmworkers could lose their one chance for a better life.

Furthermore, lawyers and accountants drawing up the documents for the schemes sometimes act on behalf of both the farmworker beneficiaries and the commercial partner.⁴² This is problematic, for their interests diverge quite markedly.

3) There were serious problems in the assessment of the farm value and financial viability of two of the schemes which has seriously prejudiced their success. As one DLA official noted, the problem is that valuation is not an exact science, and highly skilled people are required.⁴³ Unfortunately, it is difficult to secure the services of people who understand the management, financial, and agricultural aspects of farm enterprises, and valuers often come up with very different figures.⁴⁴

In the case of Warmwater, mistakes seem to have been made in the agricultural appraisal of the property and in the decision to allow the farm manager to manage the farm on a part-time basis. In assessing the reasons for the farm reaching the point of liquidation, then, the external environment (such as product prices) appears to have played a minimal role. Farmworkers at Warmwater were told that farming is a risky business, but the current problems of the scheme are not owing to these risks.

At Whitehall, the scheme is saddled with a crushing debt load, and it is questionable whether the valuation that was accepted was an appropriate one.⁴⁵ As with Warmwater, farmworkers played no role in the negotiations around the value of the farm and the implications for servicing the debt, yet they are now faced with the consequences of decisions in which they played no part.

As a NewFarmers representative noted, if farmworkers lose money, it is because they are involved in a business.⁴⁶ If a farm goes into liquidation, then every equity partner suffers, but there is no doubt that the negative effects on farmworkers are the most profound. The DLA grant is their only chance at a better life, in effect, it is their life savings. If this is lost, farmworkers seldom have the skills and confidence for a second chance. The other equity partners, on the other hand, usually have skills, expertise, and investments to enable them to embark on other economic ventures. For this reason, it is imperative that more checks and balances be built into the initial processes to ensure that farmworkers' interests are being protected.

⁴¹ Interview with F. Shabodien (Western Cape DLA), Cape Town, 22 October 1998.

⁴² See Interview with Beneficiary 1 (Ebukhosini), 31 October 1998. This also seems to have applied to Whitehall, although follow-up is needed to confirm this.

⁴³ Interview with G. Oricho (National DLA), telephonic, 8 December 1998.

⁴⁴ Interview with J. Hamman, Cape Town, 23 October 1998.

⁴⁵ Interview with J. Hamman, Cape Town, 23 October 1998.

⁴⁶ Interview with H. le Roux, S. Hobson, and C. Crossley (NewFarmers), Durbanville, 9 November 1998.

4.2 Recommendations

- ❖ The current set of guidelines for DLA Planners regarding share equity schemes should be revised to ensure that full explanation of all of the options for the land/housing subsidy are presented. Graphic presentations should be made to ensure that illiterate people understand the options.
- ❖ The interests and expectations of potential beneficiaries should be exhaustively clarified and discussed at the outset to ensure maximum participation and fully informed decision-making.⁴⁷
- ❖ Urgent attention should be given to improving the valuations and legal processes to ensure that farmworkers' interests are fully protected and promoted. Below are some possibilities:
 - The DLA Planning Grant could be used to allow beneficiaries to obtain more than one valuation of the property and business.
 - The DLA contracts the services of a highly skilled valuator to assess the valuations being produced, alternatively the DLA appoints a skilled team of specialists tasked with scrutinising every equity scheme for its financial viability.
 - The DLA should ensure that the legal and financial experts act only behalf of the farmworkers (i.e. one lawyer should not draw up the legal documents for both the commercial partner and farmworkers).

Workshop discussion, 11-12 February 1999:

In terms of the valuations process, it was noted that the DLA is establishing a panel of valuers to advise the department on valuations, so there are attempts to address some the problems of assessment raised in the report. The Land Bank now provides valuation services, and it is considering the possibility of investing equity in such schemes.

The discussion group which discussed the viability of schemes recommended that the following factors should be taken into account when assessing viability:

1. Social factors
 - Pre-assessment of needs (in the Project Identification Report)
 - DLA social transformation agenda (gender equity, democracy, promotion of disadvantages groups)
2. Economic viability
 - good valuation of enterprise (assess value of going concern, calculate value of moveables, assess whether business is tied into any contracts)
 - various instruments are available for assessing financial feasibility, such as cash flow analysis, IRR, audited statements
 - good, honest service providers were needed for assessing economic viability – outsourcing was a possibility e.g. to the Land Bank, Dept of Agriculture, private company, university (CFS/T&TA)
 - a small specialist unit within DLA could be established to review valuations
2. Institutional Structure
 - Attempts should be made to separate the landholding entity from the business entity

⁴⁷ See interview with L. Beerwinkel (CRLS), 15 October 1998.

- and to carefully structure the relationship between them
 - Options, rights, duties, benefits, and risks of equity schemes should be thoroughly workshopped
 - There should be sound business structures (audited)
- 3. % shareholding: minimum standards
 - % shareholding is not a mechanism to protect rights – it depends on the institutional structure. Basic protection of minority shareholders in company could be increased in the shareholders' agreement
 - can negotiate an increase in shares through using the levers of increased productivity, good will, water, tax benefits
 - it is important that farmworkers feel empowered in an equity scheme, and that the schemes be structured to facilitate this
- 4. Risk Aversion Profile
 - Risk should be assessed and all parties should be informed of the results
 - Risk aversion strategy: don't invest full grant; use moveables for production credit (i.e. no bond), separate landholding entity from business entity
- 5. Farmworkers' capacity
 - Criteria for participation and representation should be developed
 - Milestones should be set for developing organisational capacity
 - There is less risk in terms of capacity than normal land reform/redistribution projects
- 6. General
 - Terms of reference for service providers needs to be improved
 - There should be DLA training re. on equity share schemes and assessing viability
 - Need a case by case approach, not rigid criteria/prescriptive
 - Regular evaluations were needed

What is the most appropriate form of legal entity for equity schemes? There were two viewpoints on this: 1) one shouldn't be prescriptive, but rather ensure that skilled people are brought in to assess which is the most appropriate form. Therefore only general guidelines were needed. 2) another view was that it should be possible to list the advantages and disadvantages of each type of entity to provide guidelines to Planners. Establishing legal entities for equity schemes required specialist expertise which was not always available. Also, experience may have shown that certain legal entities have been shown to be more effective in certain circumstances, and it should be possible to have a pro forma entity that allowed for quicker implementation.

5. Beneficiaries' expectations and assessment of the schemes

Beneficiaries' assessment of a scheme can differ significantly from an outsider's assessment. The DLA Planner of one of the schemes was extremely positive about the project: it was financially performing beyond expectations, and it was structured in a way that seemed to take account of job and tenure security. The farmworkers at the site were not as positive, for they did not receive the benefits they expected and they did not feel secure where they lived. This section will focus on the beneficiaries' point of view in seeking to discover their reasons for joining and the extent to which their expectations have been met.

Beneficiaries at *Hoogland* joined the scheme because they expected their incomes would improve, they believed their chances of being housed at Hoogland were higher if they joined the scheme, and they wished to invest in the future of their children.⁴⁸ As one beneficiary stated, “To us, this was the best offer we’ve ever had in our lives. I have been on this farm for years and my future was bleak.”⁴⁹

In terms of having their expectations met, Hoogland beneficiaries in the focus group workshop indicated that they were disappointed with the lack of visible benefits, and one person stated,

If this does not work the way we were told it would, next year I will sell my share and quit. Some of us would like to quit as soon as possible because this is not benefiting us in any way.⁵⁰

There was consensus in the workshop that little had changed in terms of working conditions, income, tenure security, or job security. (It should be noted that the chicken project is operated in their spare time, and the reference to working conditions and job and tenure security relates mainly to their employment on the main farm.) On the positive side, one beneficiary stated that he felt he had job security as he was a partner in the business,⁵¹ while another stated that although his expectation for more money had not been met, he believed that the money would come in later.⁵²

At *Ebukhosini*, one beneficiary stated that he joined the scheme because he wished to build a house and could not do so on someone else’s land. A further motivation for him was that it would improve his children’s future: “I can’t think of taking any other options because this is my children’s investment.”⁵³ These sentiments were echoed by another beneficiary, who said, “We chose to be on the scheme because [the farmer] has capital and tractors, money and expertise that can assist us to grow. We want to be owners of land and get money to build our own houses and help build a school for our children.”⁵⁴

This woman also indicated that to date, her expectations had been met: “We did not think there was going to be any change in our lives, but it is happening now.”⁵⁵ The other interviewee stated, “We are happy, even though profits are still very small. At least we have land.”⁵⁶ Participants in the focus group discussion said that they were now invited to meetings and are informed of and participate in decisions. As one person said, “We had no expectations when we started but a lot of positive things are happening.”⁵⁷

Overall, beneficiaries at Ebukhosini were quite optimistic about the scheme. Although it had not met all of their expectations, there had been material changes in their lives, and this was seen as a hopeful sign that further improvements would occur. One example cited in an interview was that when a worker now takes ill on the farm, arrangements are made to

⁴⁸ Hoogland, Focus Group workshop, Interview with Beneficiary 2, 7 November 1998. In several interviews and discussions, hope was expressed that the scheme would somehow contribute to finding a better school for their children.

⁴⁹ Hoogland, Interview with Beneficiary 2, 7 November 1998.

⁵⁰ Hoogland, Focus Group workshop, 8 November 1998, and Interview with Beneficiary 2, 7 November 1998.

⁵¹ Hoogland, Interview with Beneficiary 2, 7 November 1998.

⁵² Hoogland, Interview with Beneficiary 1, 7 November 1998.

⁵³ Ebukhosini, Interview with Beneficiary 1, 31 October 1998.

⁵⁴ Ebukhosini, Interview with Beneficiary 2, 1 November 1998.

⁵⁵ Ebukhosini, Interview with Beneficiary 2, 1 November 1998.

⁵⁶ Ebukhosini, Interview with Beneficiary 1, 31 October 1998.

⁵⁷ Ebukhosini, Focus Group workshop, 31 October 1998.

transport the person to hospital.⁵⁸ The positive atmosphere at Ebukhosini may be due in part to the fact that workers received their first dividends of R300 each a week before the interviews took place.⁵⁹

At *Warmwater*, one beneficiary indicated that she joined the scheme because she was looking for benefits for her and her children, and that she did not wish to stay in the position she was in for the rest of her life.⁶⁰ The son of this beneficiary said that he had initially joined because he was told that if he did not buy shares in the scheme, he would not be employed.⁶¹

One of the shareholders said that workers became motivated to join the scheme as they saw it as an investment in the future and an opportunity to share in the profits of farming. His reasons for joining were that he needed permanent work and wished to be able to educate his children so that they could have a brighter future. He had hoped to earn more money, but this had not happened as the farm management wished to narrow the wage gap and had therefore not granted him the increases given to other workers.⁶²

During the focus group discussion, participants variously indicated their reasons for joining: they wished their children to go further than them in life, especially in terms of educational opportunities; they wished to provide a good standard of living for their children and to create job opportunities for them on the farm in future; one person said he wanted to have economic security when he retired; and there was the hope that their incomes would increase.⁶³

In terms of whether these expectations have been met, workers said that nothing has changed significantly on the farm, and that they were upset that their incomes had not increased more and their living conditions had not improved. They also expressed frustration that they did not have enough say in the running of the farm.⁶⁴

One shareholder said that she was now earning more at Warmwater than she had at the previous farm, however her living conditions had worsened as her house had no electricity at the present site.⁶⁵ Her son, who is a non-beneficiary, said that he had seen minimal changes and that the lack of electricity had a serious effect on his standard of living.⁶⁶

One of the shareholders at *Whitehall* said that when the idea of the equity scheme was introduced, it was presented as a unique opportunity that would never arise again. He joined the scheme in the hope that when their debt was paid off, there would be money available for his retirement in 20 years' time.⁶⁷

In the focus group discussion, shareholders said that they joined the scheme because they expected to earn more money and because they wished to provide for the future of their

⁵⁸ Ebukhosini, Interview with Beneficiary 1, 31 October 1998

⁵⁹ Ebukhosini, Interview with Beneficiary 2, 1 November 1998.

⁶⁰ Warmwater, Interview with Beneficiary 1, 18 November 1998.

⁶¹ Warmwater, Interview with Non-beneficiary, 18 November 1998. This man subsequently transferred his shares to his father, left the scheme, and then later returned to the farm as a non-beneficiary.

⁶² Warmwater, Interview with Beneficiary 2, 18 November 1998.

⁶³ Warmwater, Focus Group workshop, 18 November 1998.

⁶⁴ Warmwater, Focus Group workshop, 18 November 1998.

⁶⁵ Warmwater, Interview with Beneficiary 1, 18 November 1998.

⁶⁶ Warmwater, Interview with Non-beneficiary, 18 November 1998. This man subsequently transferred his shares to his father, left the scheme, and then later returned to the farm as a non-beneficiary.

⁶⁷ Whitehall, Interview with Beneficiary 1, 10 November 1998.

children, especially in terms of educational opportunities. They said that they were promised increased participation in decision-making and an increase in their standard of living.⁶⁸

In terms of the impact felt by workers at Whitehall, labour relations constantly came up. One worker said that the *gesindheid* on the farm had changed: management had not changed its approach and workers were now treated with less respect than before. Salaries had not increased as expected, dividends had not been paid for two years, his residential circumstances had deteriorated at his off-farm house, and he therefore saw no increase in his standard of living. He felt that he had little power as a shareholder, and if he were to make the choice again, he would decline to join the scheme.⁶⁹

These views were repeated during the focus group discussion. Shareholders said that they were working very hard and were under constant pressure to produce more, but they did not see any benefits from this. They had hoped that they would gain access to better housing and be able to buy clothes for their children, but these expectations had not been met.⁷⁰

These circumstances have apparently had an influence on the number of workers who have left the farm, although it should be noted that a proportion of the workers who left were dismissed after disciplinary procedures.⁷¹ The non-beneficiary indicated that conditions have worsened since the start of the scheme as the work is very hard, and that this has caused people to leave the scheme. He felt that the wage increases were minimal and that they could earn more on other farms in the area.⁷²

One of the shareholders expressed the fear that once the debt was paid in 12 years' time, the lack of current investment in equipment would mean that all profits would then be diverted into further capital investment.⁷³

5.1 Discussion

Beneficiaries indicated overwhelmingly that a major reason for joining the scheme was to provide for their children, whether this meant educational opportunities or leaving an inheritance for the children. It is noteworthy that some people joined because they feared that if they did not, they would not acquire a job on the new farm (as in Warmwater) or their current job might be in doubt (as in Ebukhosini).

Another striking feature of farmworkers' responses was that they were disappointed in the lack of visible benefits, such as increased incomes or improved living circumstances.⁷⁴ In most cases, farmworkers have no experience of investments and capital appreciation, and many will not wait for years before their circumstances improve. There is also much suspicion on the part of farmworkers, and if a scheme does not produce visible benefits, they will soon conclude that nothing has changed and they are once again being exploited (this fear was expressed explicitly at Whitehall).

⁶⁸ Whitehall, Focus Group workshop, 10 November 1998.

⁶⁹ Whitehall, Interview with Beneficiary 1, 10 November 1998.

⁷⁰ Whitehall, Focus Group workshop, 10 November 1998.

⁷¹ Whitehall, Interview with Beneficiary 1, 10 November 1998.

⁷² Whitehall, Interview with Non-beneficiary, 10 November 1998.

⁷³ Whitehall, Interview with Beneficiary 1, 10 November 1998.

⁷⁴ The desire for short-term benefits has also been noted in Lyne et al, "Commercial Land Transfer," p. 5.

A key reason for the lack of visible benefits is the nature of most equity schemes, which for the most part focus on capital-intensive production with long periods until the initial investment is recovered. At Lebanon, for example, the community became disillusioned with the venture as it would only show a profit after eight to ten years, and the time periods are similar at other equity sites.⁷⁵ At Whitehall, there was at first a significant increase in productivity as workers felt they were now working for themselves,⁷⁶ however morale has dropped since dividends have not been paid for the last two years. As Hamman notes, “Although private sector partners can accommodate such long waiting periods, it is difficult to convince weekly paid labourers that they will share in profits in eight years.”⁷⁷

There are several options to address this, one of which is to encourage equity schemes which provide for regular cash flow. Fair Valley is one example where farmworkers plant noble cultivars on their own land but until their own grapes produce, they purchase grapes elsewhere and produce wine under their own label.⁷⁸ Another possibility is to use DLA funds to subsidise a declining interest rate subsidy, which is fully explored in Lyne et al.⁷⁹

A further option is to establish equity schemes which specialise in cash crop production. Cash crops tend to have lower input costs, lower risk, and the benefits are seen more quickly, although in the long term they may not be as profitable as wine and deciduous fruit production.⁸⁰ They also have the advantage that farmworkers can learn about independent production without taking on huge risks and long-term financial commitments.

It was the experience at Lebanon, a joint venture between South African Forestry Company (Safcol), a commercial farmer, farmworkers, and the Lebanon community, that the lack of positive cash flow was jeopardising the scheme. Other possibilities were therefore explored, including vegetable or berry production, both of which involved lower input costs and rapid returns.⁸¹

5.2 Recommendations

- ❖ Visible benefits should be built into every year of the financial plan, and these targets should be communicated to workers. Workers should see at least one positive change each year, however nominal, and the benefit should be related to the expressed needs of the workers. For example, the most pressing grievance of Warmwater workers was the lack of electricity, and at Ebukhosini the need for improved educational opportunities was expressed.
- ❖ It should be emphasised to potential beneficiaries that dividends may not be paid in the first few years in order to avoid frustrated expectations.

⁷⁵ See, for example, *Erfdeel Business Plan*, January 1998.

⁷⁶ Eckert et al, “Empowering Farmworkers,” p. 704.

⁷⁷ Hamman, “Typology of Joint Ventures”, p. 2.

⁷⁸ Hamman, “Typology of Joint Ventures”, p. 2. It should be noted that this type of scheme would depend largely on the goodwill of the commercial farmer supporting the farmworkers, as is the case at Fairview.

⁷⁹ Lyne et al, “Commercial Land Transfer,” p. 21.

⁸⁰ Telephonic interview with E. Groeners, Department of Agriculture: Western Cape, telephonic, 2 December 1998.

⁸¹ P.F. de V. Cluver and Lebanon Trustees, Lebanon Project Strategic Memorandum, 8 March 1997. The Lebanon project has also experienced difficulties owing to the high interest rate, declining rand (which increased the cost of imported equipment), and internal conflict.

- ❖ To date, most share equity schemes are found in the fruit and wine sectors. The possibility of establishing equity schemes which focus on cash crop production should be investigated. The following should be considered:
 - establish equity schemes which specialise in cash crop production
 - encourage diversification into cash crop production at equity sites which specialise in wine or fruit production (as was considered at Lebanon)
 - give farmworkers at equity sites access to land for their own use (whether for cultivation or grazing)

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The following issues were noted during the general discussion:

- Cash crops are not an easy solution (in terms of providing visible benefits). They are not necessarily an easy source of cash income, e.g. in vegetable farming, only three out of 10 years will be good ones. However allocating land for personal use at an equity site (e.g. for grazing or food gardens for subsistence purposes) seemed like a good idea.
- The goals of beneficiaries change over time, so they cannot be fully captured in the initial facilitation process. Because priorities are shifting all the time, there is a need to build in consistencies i.e. have definite needs to be met as well as indefinite ones.
- There needs to be a change in conceptualisation amongst farmworkers, i.e. to think long-term, but this should be balanced with the need of farmworkers for short-term visible benefits. It was noted that at Inala, profits were reduced in order to boost wages.
- If farmworkers are joining equity schemes in order to meet their basic needs, then either this should be provided through equity schemes or else equity schemes are the wrong option.
- Visible benefits could be provided in other ways, e.g. allocating land for food gardens or other productive purposes, and/or allowing beneficiaries to start their own businesses on the farm (if these did not interfere with the existing business).

To what extent should DLA tell an enterprise to build in visible benefits? There were two views on this issue:

- 1) it is not necessary to specify visible benefits in the business plan, rather the emphasis should be on putting structures and mechanisms in place to ensure that farmworkers are part of decision-making processes
- 2) the long-term viability of a scheme would be placed in doubt if farmworkers did not see visible benefits each year, and that it should be possible to say that a criterion of the scheme was that there had to be one tangible benefit for farmworkers each year, and farmworkers could then indicate the form of that tangible benefit. The benefits did not have to be massive, but they should be built into each year of the financial plan.

Should a certain percentage of business costs be dedicated to visible benefits? There was some support for the idea that a proportion of expenditure be specified to improved working and living conditions. A counter view was that although housing and labour conditions were the biggest problems on farms, regulations regarding inter alia occupational safety governed this, and that the emphasis should be on compliance with these regulations.

6 Relations of Power

There is a significant imbalance of power in the rural areas, with the prevalence of tied housing ensuring that farmworkers have been socially, economically, and politically dominated by their employers and by white people in general. Equity schemes have the potential to change this in that they offer to redistribute land and provide opportunities for farmworkers to become involved in making decisions around the planning and management of a farm. In three of the schemes, farmworkers entered into partnership with their former employers, and at Warmwater the farm manager remained the same. This section will explore whether the power dynamics have shifted on these farms: have relations of power changed in favour of workers and do farmworkers participate in making both management and production decisions?

There was a definite perception at the *Hoogland* site that the original landowner and manager of the farm on which they work still held significant power, and the workers conflated relations on the farm and at the equity project. One worker commented, “We just see changes but never participate in decisions to make those changes.”⁸² The view was expressed in both of the interviews that the workers were able to influence production decisions but not financial or management decisions.⁸³ One beneficiary complained that there did not appear to be clear criteria for determining who could join the scheme, and that as a result, “the practice is that the farmer makes the decisions.” The role of the seventh shareholder, a businessman who resides in Pretoria, was unclear; workers were told to wait until he was present when meetings were held, but these did not take place when he visited.⁸⁴

The farm manager had a very different perception. She stated that decisions are made in meetings, and that when there is not consensus, the shareholders vote on the issue. She was of the view that workers had the capacity to participate in management decisions, but that they were reluctant at the beginning to accept this responsibility.⁸⁵

All of the male beneficiaries at Hoogland are in the permanent employ of the original landowner. Even though she owns only one of seven equal shares in the business, it is clear that her expertise and position as their employer has meant in practice that her minority share is irrelevant: she is perceived to be the decision-maker (which she is on her own farm). One worker commented, “There has not been any change whatsoever in our relationship with [the commercial partner].”⁸⁶ This point is significant, for majority shareholding does not necessarily carry power owing to entrenched patterns of behaviour and the significant residual power that white people hold in rural areas.

The commercial partner at *Ebukhosini* stated that he was still in control and made the planning and financial decisions, while the workers were involved more in day-to-day decision-making on the farm. As he succinctly noted, “At the beginning of the year we sit down with the people and tell them what we want to do for the year. We do the whole planning and they do the work.” It was his view that the scheme demanded management skills

⁸² Hoogland, Focus Group workshop, 8 November 1998.

⁸³ Hoogland, Interviews with Beneficiary 1 and Beneficiary 2, 7 November 1998.

⁸⁴ Hoogland, Focus Group workshop, 8 November 1998.

⁸⁵ Hoogland, Interview with Commercial Partner, 8 November 1998.

⁸⁶ Hoogland, Interview with Beneficiary 2, 7 November 1998.

which needed to be developed in workers, and that this was “a big jump for them”.⁸⁷ One of the beneficiaries confirmed that the business plan was drawn up by the commercial partner and that the workers were only informed about its contents after it was completed.⁸⁸

While workers at Ebukhosini perceived the balance of power to lie with the original landowner, whom some beneficiaries still referred to as *Baas Kieviet*,⁸⁹ they did express that there had been a change in attitude since the scheme had started. One worker said that he was now referred to as *Meneer*, which to him was a sign that there was no longer discrimination practiced. He felt that they could influence some important decisions, such as how much to increase wages, and that this had motivated workers to take more responsibility for their work.⁹⁰

The process for making decisions seemed to allow for participation. One committee member stated that when problems arose, the committee would discuss them with all beneficiaries and ensure that everyone understood and agreed with the decisions. He cited the example of one decision the beneficiaries had managed to influence, namely the hiring of a black farmworker to carry out the marketing.⁹¹ Another interviewee agreed, saying that workers felt free to approach the committee chair with problems, the chair would raise these with the commercial partner, and a meeting would then be called.⁹²

During the focus group discussion at *Whitehall*, workers consistently expressed the view that their 50% shareholding did not translate into 50% say.⁹³ A dynamic that operates at Whitehall is that two of the black shareholders belong to the four-strong management team, and the perception of the workers was that this team made all the decisions with minimal input from other shareholders. As one worker said of one of the black managers, “*Hy is die baas se seun.*”⁹⁴ What reinforced this situation was that the black managers were elected as Chair and Deputy Chair of the Workers’ Trust. Workers therefore felt that they could not challenge management decisions even within their Trust, and that if they challenged management they were called to task for it.⁹⁵

There was consensus among the interviewees and focus group participants that workers were treated with less respect now than before the scheme started. One worker stated that he as shareholder has the same rights as the black managers, but that he was not treated the same way.⁹⁶

Another major complaint was that management did not communicate important information to shareholders, particularly financial information, and that decisions around wage increases were therefore made only by management. As one worker noted, “*Die Oubaas het gesê,*

⁸⁷ Ebukhosini, Interview with Commercial Partner, 31 October 1998.

⁸⁸ Ebukhosini, Interview with Beneficiary 1, 31 October 1998.

⁸⁹ Ebukhosini, Focus Group workshop, 31 October 1998.

⁹⁰ Ebukhosini, Interview with Beneficiary 1, 31 October 1998.

⁹¹ Ebukhosini, Interview with Beneficiary 1, 31 October 1998.

⁹² Ebukhosini, Interview with Beneficiary 2, 1 November 1998.

⁹³ Whitehall, Focus Group workshop, 10 November 1998.

⁹⁴ Whitehall, Interview with Beneficiary 2, 10 November 1998.

⁹⁵ Whitehall, Focus Group workshop, 10 November 1998. Some individuals expressed the view that the Chair and Deputy Chair had not been fairly elected.

⁹⁶ Whitehall, Interview with Beneficiary 2, 10 November 1998.

7%.”⁹⁷ There was resentment that the accountant influenced the running of the farm, yet he was not a shareholder and did not report back to the Workers’ Trust.⁹⁸

There was considerable discontent among the workers over this issue of financial reporting. They said that they wished to know the size of their debt, how much income the farm generated, and what the expenditure was. As a result, workers were not on board when management called for co-operation in cutting costs, and there was a general distrust of management.⁹⁹

The workers’ impression that power was still concentrated in the commercial partners’ hands was reinforced by the original owner of the farm. When asked whether he had had to relinquish any power or control since the start of the scheme, he stated that he had not, but that he was trying to transfer control to his “third-world managers”. He also stated that it made no difference whether the workers had 50% or 30% shareholding, as he had always had “open-plan decision-making” and the scheme had not influenced this approach. He complained that he sometimes had to push the black managers to take responsibility and follow up on important issues, such as DLA funding.¹⁰⁰

One of the “third world managers” provided a different perspective: he stated that the former owner would take action on issues without consulting the rest of the management team, and would then expect one of the black managers to conduct follow-up. This manager said that he was initially very frustrated by the lack of change exhibited by the white managers, who would make decisions in advance and then inform the black managers of the decisions. Over time, however, things had changed, and he now felt able to challenge the former owners.¹⁰¹

He noted that this transition was a particularly difficult one: he had once worked under the former owner, and now was in a position to hold his former boss accountable for such delicate matters as the number of phone calls made. Indeed, workers recently succeeded in having an electric meter installed at the original owner’s house in order to reduce overheads.¹⁰² The black manager’s assessment was that he and the other black manager now did have equal say on the Farming Trust, but that the other workers were not always aware of the conflict on the management team and did not always support them.¹⁰³

There are two issues that need to be noted in the Whitehall case. First, the black managers who felt able to participate equally in decision-making are highly skilled in finance and management, and this clearly has played a key role in shifting power relations within the management team. However, the rest of staff felt they had little or no influence on management decisions. Second, even though the workers felt disempowered by the lack of information given to them, they appeared to feel secure in voicing their complaints about

⁹⁷ Whitehall, Interview with Beneficiary 2, 10 November 1998.

⁹⁸ Whitehall, Focus Group workshop and Interview with Beneficiary 2, 10 November 1998.

⁹⁹ Whitehall, Interview with Beneficiary 2 and Focus Group Workshop, 10 November 1998.

¹⁰⁰ Whitehall, Interview with Commercial Partner, 19 November 1998.

¹⁰¹ Whitehall is the only scheme where the workers’ trust owns 50% of the enterprise. It will be interesting to see if schemes with a minority of shares held by the workers’ trust will experience a similar shift in power relations.

¹⁰² Interview with J. Hamman, Cape Town, 23 October 1998.

¹⁰³ Whitehall, Interview with Workers’ Trust Chair, 19 November 1998.

management, that is, they did not fear for their jobs. This in itself can be seen as a positive feature of the scheme.¹⁰⁴

One beneficiary at *Warmwater* stated that she did not expect to have a say in decisions, as “not all of us can control, someone must take the leadership”.¹⁰⁵ A shareholder perceived that the former manager took all the decisions in the past, and that the farmworker trustees simply accepted his decisions. Even with production decisions, the manager preferred to take his own decisions despite their desire to influence these.¹⁰⁶ However, the new manager at *Warmwater*, who had resided on the farm for a month at the time of the interview, observed that when he placed options before the workers for their input, they preferred to leave the decisions to him.¹⁰⁷

In terms of the overall structure of the scheme, one worker felt that the commercial partner had more shares and therefore more power, and that Coloured people have less say on the farm.¹⁰⁸ In the focus group workshop, one participant expressed the desire for the workers’ company to acquire more shares so that they could be more equal partners. As with *Whitehall*, workers at *Warmwater* felt that the black managers who were Trustees took decisions without consulting other shareholders.¹⁰⁹ One of the managers being referred to stated that he felt he was able to influence decisions made by the Farming Trust.¹¹⁰

6.1 Discussion

Language is often an interesting indicator of social relations. At *Ebukhosini*, the former employer was still referred to as *Baas*, but his workers also noted that they were now referred to as *Meneer*. At *Whitehall*, the black managers were referred to as “third world managers”. These terms are indications that social relations have both changed and remained the same, and the situation differs according to the scheme.

At both *Whitehall* and *Warmwater*, the workers’ roles as shareholders and employees are significantly blurred by the fact that the black managers hold the positions of power in the workers’ trusts. The farmworkers do not feel in a position to challenge the office-bearers of the trusts, for these same people are their supervisors who hold power over them in their work environment. It is understandable that farmworkers elect their supervisors into such positions, for they are the ones with the skills to engage with outsiders, however it leads to situations where farmworkers feel disempowered both as workers and as shareholders.

Workers at the schemes seem to influence some of the day-to-day decisions which are made, but they rarely participate in making financial and management decisions. The power dynamic is influenced by various factors:

- the skill and expertise of the black managers at *Whitehall* and *Warmwater* enabled them to participate meaningfully in management decisions, but the lack of such expertise has excluded the other workers from the same processes;

¹⁰⁴ Interview with J. Hamman, Cape Town, 23 October 1998.

¹⁰⁵ *Warmwater*, Interview with Beneficiary 1, 18 November 1998.

¹⁰⁶ *Warmwater*, Interview with Beneficiary 3, 18 November 1998.

¹⁰⁷ *Warmwater*, Interview with Farm Manager, 18 November 1998.

¹⁰⁸ *Warmwater*, Interview with Beneficiary 2, 18 November 1998.

¹⁰⁹ *Warmwater*, Focus Group workshop, 18 November 1998.

¹¹⁰ *Warmwater*, Interview with Supervisor, 18 November 1998.

- at Hoogland, the beneficiaries are still in the full-time employ of one of the shareholders, which gives the employer significant informal power when decisions are made;
- the lack of communication between workers and management was a particularly sore point at Warmwater and Whitehall. Workers were usually in the dark as to the financial status and management issues on the farm.
- a further factor is that among many farmworkers, there is an entrenched pattern of patronage and dependency, and the shift to taking responsibility and making decisions is a significant one.¹¹¹

A key issue to be addressed is whether the percentage shareholding has a significant influence upon power relations within a scheme. In the interview with NewFarmers, representatives indicated that they were not in favour of a 50/50 shareholding arrangement as was the case at Whitehall: they felt this was difficult to manage as deadlocks could result, and that it was better for a third or fourth equity partner to be brought in. They attempted to increase the share of workers' trust by trying to secure additional finance for it, but they conceded that this finance was difficult to raise. In terms of the influence of the workers' trust minority share, they stated that NewFarmers approach to decision-making was one of consensus-building.¹¹²

While this may be the intention, there is a trend among the more recent equity schemes for the shareholding to be less than 15%, which has troubling implications. In the Erfdeel business plan, for example, the workers' trust owns only 10.49% of the business and consequently is guaranteed only one place on the board. The Erfdeel Farming Trust initiated the process of establishing the Zebraskop Workers' Trust, and the Farming Trust has veto rights over certain decisions taken by the workers' trust as it has a "legitimate interest in certain aspects relating to the operation of the [workers'] trust".¹¹³

This type of arrangement more closely resembles profit sharing, for there is no evidence of equal partnership. Such schemes need to be seriously questioned, particularly if farmworkers' tenure rights are not secured. At the same time, it should be noted that the circumstances of a scheme are different: at a scheme with 45% shareholding, farmworkers can feel significantly disempowered if measures are not in place to increase their participation, and workers with a 20% shareholding may participate meaningfully in decision-making owing to progressive management practices.

6.2 Recommendations

- ❖ There should be regular reportbacks to all shareholders. Committee members often showed considerable knowledge of the farming business, but this information seems rarely to be passed on to other shareholders.
- ❖ There should also be frequent reportbacks between management and employees. Non-beneficiaries are excluded from shareholder meetings and there needs to be a regular channel of information to all employees. Furthermore, some issues need to be dealt with in a labour relations forum and others in the shareholder forum.

¹¹¹ Interview with L. Beerwinkel (CRLS), Cape Town, 15 October 1998.

¹¹² Interview with H. le Roux, S. Hobson, and C. Crossley (NewFarmers), Durbanville, 9 November 1998.

¹¹³ Erfdeel Business Plan, January 1998; Deed of Trust between Zebraskop Trust and Erfdeel Farming Trust.

- ❖ Financial expertise should not be concentrated in the hands of the managers but should be spread more broadly. This should be done in three ways:
 - All shareholders should receive basic business training (this has been provided at some of the sites).
 - Additional farmworkers should be targeted for courses in budgeting and financial management.
 - Financial statements, budgets, and expenditure options should be presented to shareholders in a simplified and accessible format, and trust deeds should specify how often this financial information is reported to shareholders.
- ❖ Until beneficiaries develop the expertise to engage meaningfully in Trust decisions, the possibility of allowing farmworkers to co-opt a skilled person to act on their behalf should be strongly considered. This option should be written into the Trust Deed.
- ❖ There should be a minimum percentage shareholding for a project to be categorised and approved as a share equity scheme.

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It should be recognised that there is an imbalance of power at the start of equity schemes, and it is necessary to have mechanisms which address this.

% shareholding: the point was made that it was not about the percentage held as much as it was about how decisions are made, so structures should be put in place to increase farmworker participation in decision-making. Some suggestions were made:

- shareholding could be negotiated, e.g. the number of seats on the farming trust could be increased out of proportion to the % shares held by the workers' trust
- the workers' trust should have the option of acquiring more shares
- the protection of minority shareholders in the Companies Act could be extended through the shareholders agreement. However Trusts do not have the protection of companies, so one must be careful to write these issues into the trust deed.
- institutions (such as the Land Bank) could "warehouse" shares and give their representation to the workers' trust

The question was asked as to whether there should then be a minimum say on the board of the farming trust. One response was that the trust deed can specify certain decisions needing consensus, especially on risk issues such as taking out loans. This would ensure that all important decisions require the agreement of the workers' trust.

The concern about minimum shareholding should also apply to management to ensure management commitment, so minimum shareholding cuts both ways. Below 30% management shareholding does not demonstrate enough interest.

7 Skills Transfer

As the section above indicates, the only workers who felt that they had a significant influence on financial and management decisions were those who possessed the necessary skills to be

able engage effectively in those decision-making processes. This section describes the responses of farmworkers to questions relating to skills transfers and their training needs.

At **Hoogland**, most of the training in chicken farming was provided before the scheme started, and workers were taken to other poultry farms as part of the training. The size of the scheme, namely five workers, seems to have provided for much broader exposure to a range of skills. The former landowner noted that the workers did not need supervision and had learned about different aspects of running a broiler business owing to the fact that responsibilities were revolved.¹¹⁴

However, the need for training on finance and financial management was also expressed by the commercial partner.¹¹⁵ This observation was supported by one of the shareholders, who said that the farmworker beneficiaries did not influence decisions around finances and did not have the finance and management expertise to do so.¹¹⁶

One of the beneficiaries indicated that through the project, he had gained the experience, skills and confidence to start his own business in the future.¹¹⁷ Another stated that the scheme had given him an understanding of how a business operates.¹¹⁸ The DLA Planner noted that the chicken farm had already resulted in an enterprise specialising in essential oils production, and plans for a small-scale abattoir were already in the pipeline.¹¹⁹

Some 100 workers at **Ebukhosini**, most of them beneficiaries, have received 3M training in business skills and have also been trained in productivity management. Much of this training, which was provided both in-house and by private companies, was completed before the start of the scheme. Much of the training is targeted; for instance, younger people are selected for technical training and supervision skills.

The commercial partner at Ebukhosini said that skills training was an essential component of the scheme, and that it was his hope that in five to ten years' time workers would have sufficient skills to be able to start their own businesses. His assessment was that the workers lacked management and planning expertise, which should be the focus of future training activities. The need for training in basic finance was also expressed, as this was necessary for workers to be able to understand income and expenditure statements.¹²⁰

One beneficiary at Ebukhosini stated that the scheme had shown him how to make money, and that as a result he wished to start his own farm someday.¹²¹ Significantly, this man is a committee member and receives frequent exposure to the broader business environment. Numerous beneficiaries stated that they would need to work under others' supervision for some time in order to learn and practice new skills.¹²²

¹¹⁴ Hoogland, Interview with Commercial Partner, 8 November 1998.

¹¹⁵ Hoogland, Interview with Commercial Partner, 8 November 1998.

¹¹⁶ Hoogland, Interview with Beneficiary 1, 7 November 1998.

¹¹⁷ Hoogland, Focus Group workshop, 8 November 1998.

¹¹⁸ Hoogland, Interview with Beneficiary 2, 7 November 1998.

¹¹⁹ Interview with Chris Williams (Mpumalanga DLA), 2 December 1998.

¹²⁰ Ebukhosini, Interview with Commercial Partner, 31 October 1998.

¹²¹ Ebukhosini, Interview with Beneficiary 1, 31 October 1998.

¹²² Ebukhosini, Interview with Beneficiary 1, 31 October 1998, and Beneficiary 2, 1 November 1998; Focus Group workshop, 31 October 1998.

A further training need expressed by interviewees was for basic literacy training, which they saw as the basis for other developing communication and entrepreneurial skills.¹²³ This need is currently not being met owing to a lack of funds.

Workers at *Whitehall* were proud of the fact that they work more efficiently on their farm than do workers on neighbouring farms. For example, one worker is given responsibility for pruning an entire row of trees, whereas on other farms there are sometimes six workers on one tree.¹²⁴ One worker, who is not a shareholder, said that he had been trained extensively and that there was nothing that he felt he could not do on the farm. It was his view that his skills would be of use elsewhere.¹²⁵ The production skills of the workers are such that the position of supervisor will soon be eliminated, as workers all do the same work.¹²⁶ Five of the people who left the farm and were paid out their shares have used the money to start their own businesses.¹²⁷

Nevertheless, it appears that not enough internal capacity-building had taken place at Whitehall. A grievance expressed in the focus group discussion was that a position for a mechanic had recently been advertised off-farm, and workers felt this position should be filled internally. It was the view of workers that management should be investing skills in its workers rather than bringing in outsiders.¹²⁸

One member of the Workers' Trust committee expressed the need for training which would enable him and other committee members to be drawn into negotiations with banks and to participate in decision-making related to finances; this need was reiterated by the farm manager.¹²⁹ One of the farm managers who is a beneficiary indicated that he had developed considerable skills and expertise, and that this was sufficient to enable him to participate in management and financial decisions.¹³⁰ It would seem that the building of financial and management skills has therefore been restricted primarily to the two black managers, and it is not surprising that they are both actively involved in political and agricultural activities outside of Whitehall.¹³¹

At *Warmwater*, workers have taken courses in production skills (such as pruning) and starting a business, although several expressed that they felt they had learned very little.¹³² A member of the management team said that he had been on a management course, and that he had developed skills in the scheme which would enable him to obtain a job elsewhere.¹³³

7.1 Discussion

¹²³ Ebukhosini, Interview with Commercial Partner, 31 October 1998; Interview with Beneficiary 2, 1 November 1998; Focus Group workshop, 31 October 1998.

¹²⁴ Whitehall, Interview with Beneficiary 1, 10 November 1998.

¹²⁵ Whitehall, Interview with Beneficiary 1, 10 November 1998.

¹²⁶ Whitehall, Focus Group workshop, 10 November 1998; Interview with Farm Manager, 19 November 1998.

¹²⁷ Whitehall, Interview with Farm Manager, 19 November 1998.

¹²⁸ Whitehall, Focus Group workshop and Interview with Beneficiary 2, 10 November 1998.

¹²⁹ Whitehall, Interview with Beneficiary 2, 10 November 1998; Interview with Farm Manager, 19 November 1998.

¹³⁰ Whitehall, Interview with Farm Manager, 19 November 1998.

¹³¹ Interview with J. Hamman, 23 October 1998.

¹³² Warmwater, Focus Group workshop, 18 November 1998.

¹³³ Warmwater, Interview with Manager, 18 November 1998.

Share equity schemes have the advantage of building skills owing to the stability of the workforce, and this benefits both the scheme and the individual workers. However, the complexity of share equity schemes demands a tremendous range of skills if workers wish to participate meaningfully in production, financial, and management decisions, and capacity-building and mentoring is far more time-consuming than originally anticipated.¹³⁴

It would seem that the smaller the scheme, the greater the exposure to a wide range of skills. At Hoogland, for instance, there are already spin-offs in terms of the creation of new businesses as the workers have become familiar with all the aspects of running a business. In bigger schemes the development of financial and management skills has been confined to upper management and / or committee members, but the level of expertise developed by such people is also higher.

It is positive that many of the interviewees at the schemes expressed the desire to start their own businesses in future. It is difficult to measure the extent to which the scheme has influenced these future plans, but it is likely that owning a share in a present business – however small the share – has made many farmworkers realise that it is possible to own a business.¹³⁵ As one facilitator noted, “They allow themselves to have dreams.”¹³⁶

It was not within the parameters of this report to assess whether workers were more or less skilled than on surrounding farms, but it seems that workers are quite skilled and in many cases would be able to find employment on other farms with the new skills they have acquired. The workers at Whitehall, for instance, were confident that they could find jobs elsewhere.

Again the need for financial and management training was expressed. The DLA Planner in Mpumalanga underscored this need, and specified the need for training in general management, financial management, human resources, and networking. To date, the beneficiaries at Ebukhosini have not yet accessed DLA funding to provide this training, although service providers are in the process of being identified.¹³⁷

Literacy training is the basis for all training, and the low literacy levels of some workers prevents them from developing additional skills such as marketing. This is an urgent need which should be addressed at every scheme.

In terms of transferring more responsibilities to workers, an official at the Department of Agriculture in the Western Cape presented the example of a venture where a commercial farmer was tasked with managing a farm for five years and gradually transferring control of the farm to workers over that period of time.¹³⁸ There is a case to be made for setting deadlines and targets for the transferring of skills and decision-making power, and such targets were absent at the case study sites.

7.2 Recommendations

¹³⁴ Lyne et al, “Commercial Land Transfer,” p. 9.

¹³⁵ See Eckert et al, “Empowering Farmworkers,” p. 708.

¹³⁶ Interview with J. Hamman, Cape Town, 23 October 1998.

¹³⁷ Mpumalanga, Interview with DLA Planner, 11 November 1998.

¹³⁸ Telephonic interview with E. Groenens (Department of Agriculture: Western Cape), 2 December 1998.

- ❖ Education and training needs should be assessed at each scheme. If some workers are illiterate, the provision of literacy training should be a priority (this would in most cases mean liaising with educational service providers).
- ❖ Business plans should include targets for skills development and the progressive transfer of management responsibilities to workers.
- ❖ Refer to 6.2 above for recommendations regarding training in finance issues.

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- The DLA and Depts of Agriculture do not have the capacity to provide institutional support, and NGOs generally lack the technical experience (although there is space for them to provide that support).
- Resources to build capacity are needed on an on-going basis – farmworkers need opportunities to acquire knowledge and skills. It is important to spread skills, not just invest skills in leaders.
- The question should be asked, What must beneficiaries do themselves? What obligations should be placed on them? Do people from the various equity schemes meet each other?
- Facilitators often rush processes – they need to be patient at the initial establishment stage. They must be honest in the process, and the community must demonstrate its commitment to the targets being set.

8 Labour Relations

A key concern of the research was to explore the current dynamics between management and labour at the sites, and to discover whether the introduction of the scheme had brought about any changes. Both beneficiaries and non-beneficiaries were asked how labour relations and working conditions compared with those on surrounding farms.

At *Hoogland* it was difficult to separate issues in the chicken project from labour problems on the farm on which beneficiaries work full-time, for their employer on the farm also plays a key role in the scheme. Workers in the focus group discussion indicated that they felt as if they were treated like children, and they have no say in the business.¹³⁹ There does not appear to be conflict on the farm, however, with workers having a good relationship with management both before and after the project started, and wages are higher on the main farm than in the surrounding area.¹⁴⁰ Nevertheless, labour relations on the farm parallel relations among shareholders in the chicken project, with the commercial partner having most of the say.

The perceptions of the commercial partner/farm manager are different, for she felt that there are no bosses on the farm and that management is participatory. She stated that the relationship between management and labour has not changed since the chicken project was started, and that in general labour relations on the farm are good.¹⁴¹

¹³⁹ Hoogland, Focus Group workshop, 8 November 1998.

¹⁴⁰ Hoogland, Interview with Beneficiary 1, 7 November 1998.

¹⁴¹ Hoogland, Interview with Commercial Partner, 8 November 1998.

At *Ebukhosini*, the commercial partner's assessment was that labour relations have improved since the implementation of the scheme.¹⁴² Workers agreed, with one stating, "Relationships with the management have improved a lot. People are not treated as animals anymore. This is because now we are not only workers but partners."¹⁴³ Another said,

People now are treated fairly and nicely. No more physical assaults. We now sit at the same table and discuss issues. Even when we are sick, we now have transport to take us to the hospital without paying for it.¹⁴⁴

Two workers noted that employees were no longer dismissed unfairly owing to clearer disciplinary procedures.¹⁴⁵ Workers were also pleased that their wages had increased to the point where they were "comfortably paid", their bonuses had increased, and they had just received their first dividends.¹⁴⁶

A non-beneficiary was less pleased, however, stating that as a tractor and truck driver he should be paid more, and that he did not receive sufficient leave pay. He did not perceive any changes to his working conditions since the inception of the scheme.¹⁴⁷

Labour relations at *Whitehall* were quite strained at the time of the research visit. On the day the research interviews were held, workers had scheduled a special meeting of the Workers' Trust and had requested that the two black managers, who hold the positions of Chair and Deputy Chair of the Workers' Trust, be excluded. The reason given was that workers would not express their grievances if management was present.¹⁴⁸

A sentiment expressed by numerous people was that workers got on well with the foremen but not with upper management.¹⁴⁹ Workers complained primarily that management should not put pressure on workers to produce more, and that their increased productivity was not rewarded.¹⁵⁰ The scheme started out with 159 permanent workers, but as some workers left the scheme they were not replaced, resulting in a current workforce of only 111 workers.¹⁵¹ While the fact that the farm is able to cope with this reduction may be a sign of increased efficiency, evidence at the site showed that the drastic decline in human resources was putting a strain on the remaining workforce.

It is instructive to refer to the extensive survey of Whitehall workers carried out in October/November 1995. The number of tons of fruit harvested per labour unit increased by 42% in 1993 and remained constant until 1995, absenteeism had declined from 13.9 person-days per week in 1993 to 1.69 in 1995, and the bearing per hectare had increased despite a significant reduction in the workforce. Morale was quite high, with workers attributing the increased productivity to the scheme.¹⁵²

¹⁴² Ebukhosini, Interview with Commercial Partner, 31 October 1998.

¹⁴³ Ebukhosini, Interview with Beneficiary 1, 31 October 1998; see also Interview with Beneficiary 2, 1 November 1998.

¹⁴⁴ Ebukhosini, Focus Group workshop, 31 October 1998.

¹⁴⁵ Ebukhosini, Interview with Beneficiary 1, 31 October 1998, and Beneficiary 2, 1 November 1998.

¹⁴⁶ Ebukhosini, Interview with Beneficiary 2, 1 November 1998; Focus Group workshop, 31 October 1998.

¹⁴⁷ Ebukhosini, Interview with Non-beneficiary, 1 November 1998.

¹⁴⁸ Whitehall, Interview with Beneficiary 2, 10 November 1998.

¹⁴⁹ Whitehall, Interview with Non-beneficiary, 10 November 1998.

¹⁵⁰ Whitehall, Interview with Beneficiary 2, 10 November 1998.

¹⁵¹ Whitehall, Interview with Commercial Partner and Interview with Manager, 19 November 1998.

¹⁵² Eckert et al, "Empowering Farmworkers," pp. 702-704.

Why the drastic decline in morale? As Eckert et al have noted, the cost savings of higher productivity should result in higher wages,¹⁵³ but this has not been the case at Whitehall. The pressure to produce more and keep wages relatively static should be seen within the context sketched in Section 4 above, namely that the indebtedness of the scheme puts a constant pressure on management to cut costs and increase productivity, but there are no resources to reward that productivity.

Workers also identified the lack of communication between workers and management as a serious problem, an assessment not shared by management.¹⁵⁴ Shareholders are not apprised of financial information on a regular basis, so they feel the pressure to work harder and help cut costs but do not fully understand why this is necessary. At one point financial statements were regularly handed out to shareholders, but when these were circulated off-farm, the management was concerned that the farm's competitors could take advantage of the information and the practice of handing out financial information was stopped.¹⁵⁵

The black managers at Whitehall are placed in an unenviable position. As one of them explained, he wears three hats: those of manager, Workers' Trust Chair, and ordinary shareholder. He is perceived by the commercial partners/managers as siding with the workers when he tries to protect them, workers see him as being on the management's side, and the Workers' Trust committee is not clear which side he is on.¹⁵⁶

Regarding the wages and working conditions on other farms, there was some disagreement on this point. The commercial partner stated that he believed workers were paid on average R9 per day more than on surrounding farms, and that the wages must be seen in conjunction with their incentive scheme and the extensive amenities provided on the farm.¹⁵⁷ Farmworkers disagreed, saying that they could earn more on farms in the area.¹⁵⁸

There did not appear to be labour conflict at *Warmwater*, but the scheme was in the midst of changes and a new farm manager had arrived a month before. Workers did indicate that they felt the black managers told them what to do and did not encourage participatory decision-making, and the complaint was also voiced that in their capacity as trustees the managers did not report back regularly to shareholders.¹⁵⁹ (As with Whitehall, the two black managers at Warmwater are also the trustees of the Warmwater Farming Trust.) On the positive side, workers felt that they earned more than workers on surrounding farms, and some farmworkers from the area have apparently sought work at Warmwater.¹⁶⁰

Communication between management and workers was a bone of contention at Warmwater. One worker said that he wished management would explain things to them more often, as he

¹⁵³ Eckert et al, "Empowering Farmworkers," p. 710.

¹⁵⁴ Whitehall, Interview with Beneficiary 2, 10 November 1998, and with Commercial Partner, 19 November 1998.

¹⁵⁵ Whitehall, Interview with Manager, 19 November 1998.

¹⁵⁶ Whitehall, Interview with Manager, 19 November 1998.

¹⁵⁷ Whitehall, Interview with Manager and Interview with Commercial Partner, 19 November 1998. During pruning, thinning, and picking season, workers are paid on a piece work basis, which is added to their regular daily wage.

¹⁵⁸ Whitehall, Interview with Non-beneficiary, 10 November 1998.

¹⁵⁹ Warmwater, Interview with Non-beneficiary and Interview with Beneficiary 2, 18 November 1998.

¹⁶⁰ Warmwater, Interview with Non-beneficiary and Interview with Beneficiary 2, 18 November 1998.

had only recently heard for the first time about how much money had actually been invested in the farm.¹⁶¹

As noted in Section 6 above, the distinction between being a shareholder and being an employee is not always clear. In speaking of their grievances as workers, the interviewees would often include their grievances as shareholders. At Ebukhosini, it is the perception that shareholders cannot join a union as they cannot be union members and owners of the business at the same time.¹⁶²

8.1 Discussion

With the exception of Whitehall, labour relations at the schemes were not characterised by high levels of conflict, and in the case of Ebukhosini labour relations have improved. However, the need for regular communication between management workers came up repeatedly.

In terms of wages and working conditions, it would seem that these compare favourably with those on surrounding farms.

The conflict at Whitehall needs to be evaluated in the context sketched in Sections 4 and 8 above, namely that the Farming Trust's heavy debt burden has put tremendous pressure on employees to work harder, cut costs, and accept low salary increases.

8.2 Recommendations

- ❖ In the preparation and implementation of share equity schemes, the relationship between and roles of shareholders and employees should be clarified. Workers should be made aware that as employees, they still have the right to organise collectively and negotiate with management through such a collective.
- ❖ See Section 6.2 above, which lists recommendations to improve communication.

9. Position of Non-beneficiaries

At the Whitehall and Ebukhosini schemes, a significant number of workers decided not to join the equity scheme. At Hoogland the project consists only of beneficiaries, and at Warmwater there is at least one non-beneficiary who is permanently employed. It was a concern of the research to discover whether non-beneficiaries felt they were treated differently from beneficiaries.

In terms of the methodology employed in this research, the term “non-beneficiary” was taken to mean people employed full-time in the scheme who were not shareholders in the scheme. The circumstances and perceptions of seasonal and casual workers were therefore not explored, but some of the issues surrounding their employment are described below.

¹⁶¹ Warmwater, Interview with Beneficiary 2, 18 November 1998.

¹⁶² Ebukhosini, Interview with Commercial Partner, 31 October 1998.

At **Hoogland**, there was tension between beneficiaries and other workers who are employed on the original farm (which is not part of the chicken project). In the focus group workshop, one participant stated that he felt management was sometimes biased toward the newer employees, although two of the interviewees stated that the relationship between beneficiaries and non-beneficiaries was good on the farm.¹⁶³ The fear was expressed by a non-beneficiary in the focus group that his job was insecure because he was not part of the Hoogland project.¹⁶⁴

The commercial partner at **Ebukhosini** said that management had a policy of investing more in beneficiaries in terms of giving them responsibility and training opportunities. Non-beneficiaries who are permanent workers do have the option to join the scheme, and seasonal and casual workers receive the same benefits as before the scheme started, although their only route to joining the scheme is first to become a permanent worker.¹⁶⁵

The non-beneficiary who was interviewed said that he felt management still treated him in the same manner as before, but he expressed resentment that he was excluded from using the graveyard where his other family members were buried.¹⁶⁶ One of the participants in the focus group said that he felt non-beneficiaries and beneficiaries should be equally equipped in terms of skills.¹⁶⁷ A beneficiary stated that all workers are treated the same at Ebukhosini, but beneficiaries were now treated with more respect as they had “become more responsible”.¹⁶⁸ Participants in the focus group said that the relationship between the two groups was a good one, but some beneficiaries said that they believed there should be wage differentiation based upon whether someone belongs to the scheme.¹⁶⁹ This could well create tensions in the future if this is implemented.

There was a “sifting out” process at **Whitehall**, with 27 of the 30 non-beneficiaries leaving the scheme in the first two years of its operation.¹⁷⁰ A non-beneficiary stated that working conditions worsened after the start of the scheme as the work became harder. He said it was not a matter of being chased away from the farm, but rather that people were not treated well and left of their own accord.¹⁷¹ The survey conducted by Eckert et al confirmed this sentiment, as it found that non-shareholders had lower levels of job satisfaction because they were not part of the scheme but were expected to work as hard as farmworker shareholders.¹⁷²

The non-beneficiary at **Warmwater** stated that he initially joined the scheme because he was told that if he did not buy shares, he would not be employed on the farm (he subsequently transferred his shares to his father and became a non-beneficiary). He felt that the relationship between shareholders and non-shareholders was not a good one, and he attributed this to being treated differently. For example, beneficiaries were supplied with overalls, whereas non-beneficiaries had to buy their own, and only shareholders have the right to keep

¹⁶³ Hoogland, Focus Group workshop and Interview with Commercial Partner, 8 November 1998; Interviews with Beneficiary 1 and Beneficiary 2, 7 November 1998.

¹⁶⁴ Hoogland, Focus Group workshop, 8 November 1998.

¹⁶⁵ Ebukhosini, Interview with Commercial Partner, 31 October 1998.

¹⁶⁶ Ebukhosini, Interview with Non-beneficiary, 1 November 1998.

¹⁶⁷ Ebukhosini, Focus Group workshop, 31 October 1998.

¹⁶⁸ Ebukhosini, Interview with Beneficiary 1, 31 October 1998.

¹⁶⁹ Ebukhosini, Focus Group workshop, 31 October 1998.

¹⁷⁰ Whitehall, Interview with Farm Manager, 19 November 1998.

¹⁷¹ Whitehall, Interview with Non-beneficiary, 10 November 1998.

¹⁷² Eckert et al, “Empowering Farmworkers,” p. 709.

livestock.¹⁷³ In an interview with his mother, she indicated that shareholders are paid on a monthly basis, whereas non-members are paid fortnightly.¹⁷⁴

The two shareholders who were interviewed indicated that the relationship between beneficiaries and non-beneficiaries was a good one,¹⁷⁵ but it should be noted that they were not on the receiving end of differential treatment like non-beneficiaries.

Seasonal and Casual Workers

At present, the needs of casual and seasonal workers in equity schemes are not specifically addressed at the sites, and any advantages which may accrue to them are incidental to the scheme. As the Erfdeel appraisal report states, non-permanent workers will only benefit indirectly from the “progressive labour practices, wage remuneration and development opportunities” of the project.¹⁷⁶

NewFarmers representatives indicated that they wished to draw such workers into the scheme as their involvement was important from a financial point of view, especially as it related to training costs. However, security of tenure was not possible as casual and seasonal workers were not accommodated within DLA policy, and Workers’ Trusts usually opposed making seasonal workers part of the scheme.¹⁷⁷

Although it is difficult to incorporate seasonal and casual workers into equity schemes, there may be ways in which they can benefit. While profit-sharing may not be possible, they do receive incentives through piece work, and – given their vulnerable position in the labour market – there is a strong argument for raising their daily remuneration above that of permanent workers. It is certainly imperative that DLA policy addresses the plight of seasonal and casual workers given the extent of their lack of economic and tenure security.

It is noteworthy that many of the workers who refused to join the Whitehall scheme were African. This was owing to the fact that they feel less permanent in the Western Cape and that many African workers remit their bonuses and wages to family members living elsewhere.¹⁷⁸ One problem that could well emerge is that schemes of this nature will further segment the labour market along Coloured (permanent) and African (seasonal) lines.¹⁷⁹ While some tendencies in this direction have appeared, further investigation is needed to confirm whether this is indeed the trend in the Western Cape.

9.1 Discussion

While there was no significant conflict between beneficiaries and non-beneficiaries at the schemes, there are problems in the way non-beneficiaries are treated: they are not given the same access to training opportunities (as at Ebukhosini), they are subject to pressures to work hard to ensure the scheme makes a profit (as at Whitehall), and they are sometimes not extended the same privileges as beneficiaries (as at Warmwater).

¹⁷³ Warmwater, Interview with Non-beneficiary, 18 November 1998.

¹⁷⁴ Warmwater, Interview with Beneficiary 1, 18 November 1998.

¹⁷⁵ Warmwater, Interview with Beneficiary 1 and Beneficiary 2, 18 November 1998.

¹⁷⁶ Erfdeel Business Plan, January 1998, vol 2: Appraisal Report.

¹⁷⁷ Interview with H. le Roux, S. Hobson, and C. Crossley (NewFarmers), 9 November 1998.

¹⁷⁸ Eckert et al, “Empowering Farmworkers,” p. 700.

¹⁷⁹ J. Ewert and J. Hamman, “Labour Organisation in Western Cape Agriculture: An Ethnic Corporatism?”, *Journal of Peasant Studies* 23 (2/3) 1996, pp. 162-163.

It is significant that 27 of the 30 non-beneficiaries at Whitehall have left the farm. Ebukhosini appears to be at the same stage as Whitehall was in 1996, when Whitehall was doing well and dividends had recently been paid. As pressure mounted on shareholders to work harder at Whitehall, non-beneficiaries gradually left, and it is to be hoped that if Ebukhosini financially takes a turn for the worse, non-beneficiaries will not similarly feel pressured. This is a rather troubling aspect of the Whitehall project.

It has been noted previously in this document that the distinction between workers and shareholders is often blurred, and it is clear that this has led to management making decisions based upon who holds shares, which is clearly discriminatory.

9.2 Recommendations

- ❖ Management at equity schemes should draw up employment contracts with all workers, and the wages and working conditions of beneficiaries should not differ from those of non-beneficiaries.
- ❖ Information to potential shareholders should emphasise the distinction between shareholders and employees, and should stress that the wages, working conditions, and skills opportunities of non-shareholders are the same as those of shareholders.
- ❖ In order to recognise the contribution of both shareholders and non-shareholders to the success of an enterprise, profit-sharing should be introduced at equity sites. Further reasons for the introduction of profit-sharing are provided in section 13.
- ❖ The impact of share equity schemes on the employment of seasonal and casual workers should be the subject of further research, and proposals regarding increased remuneration should be considered.
- ❖ DLA policy should address the needs of seasonal and casual workers more broadly.

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You cannot prescribe how profits will be shared out in schemes. However there could be a system of production bonuses: non-beneficiaries would receive these and decide what to do with them, and beneficiaries could decide whether to re-invest them in the business. It was noted that at Whitehall, the bonuses were ceded to the Trust, but shareholders also had the option of being paid out these bonuses.

In terms of non-beneficiaries being expected to put in the same effort as beneficiaries, it was said that there should be provision made in all employment contracts for overtime, so that if workers are expected to work longer hours, they would all be compensated. Beneficiaries could then decide whether to be paid overtime or have this money re-invested in the business.

10 Gender Relations

The protection and promotion of women's rights is a key platform of land reform policy. It was the concern of this research to find out whether the socio-economic interests of women at the schemes were actively being promoted, and whether the allocation of the DLA grant to households was prejudicing them in any way.

At *Hoogland*, all of the original five beneficiaries were men (one has since died). Three of them are married, and their wives did not participate in any of the processes which established the scheme. One of the beneficiaries stated that he was told that their wives would have to obtain marriage certificates in order for them to be "recognised" as part of the scheme, as it is they are currently married under customary law.¹⁸⁰

The DLA Planner indicated that although all the beneficiaries were men, there were plans for their wives to be included in future projects.¹⁸¹ However, there does not seem to have been any attempt to do a livelihood needs assessment with the women: the development proposal states that only one of the female applicants is skilled as a "labourer", and it is unlikely that this description reflects the actual skills of the women.¹⁸²

It would seem that women are excluded from economic activities on the main farm also, for one man said that women do not work on the farm as the work is "very heavy".¹⁸³ The farm owner wishes to assist women to start a sewing businesses, and she also has plans to employ women in the chicken butchery which is to be established at the equity scheme.¹⁸⁴

There were therefore no gender outcomes built into the Hoogland business plan, and any opportunities provided to women in the future will not be the direct result of the DLA-supported scheme.

At *Ebukhosini*, men and women are paid different wages, although the wage gap is reportedly not significant and a committee has been tasked with examining the pay scale.¹⁸⁵ There is no apparent discrimination in terms of work and training opportunities provided to women, and there are a few women who are supervisors.¹⁸⁶

When asked to whom the DLA grant was allocated, the response was that the household applied for the grant, but the man "is the beneficiary on behalf of the household".¹⁸⁷ If the male head of household dies, the shares are inherited by his wife, but if she remarries, they are allocated to the children.¹⁸⁸ Unmarried women and men whose partners are not permanent workers on the farm were eligible to become beneficiaries.

One of the male interviewees said that all women were given the opportunity of joining the scheme, but that some women were stopped from joining by their husbands. (It is unclear how this could happen if the grant is allocated to the household, but as noted above, there is

¹⁸⁰ Hoogland, Focus Group workshop, 8 November 1998; Interview with Beneficiary 1, 7 November 1998.

¹⁸¹ Mpumalanga, Interview with DLA Planner, 11 November 1998.

¹⁸² Hoogland Chickens cc: Development Planning Proposal, 10 July 1996.

¹⁸³ Hoogland, Focus Group workshop, 8 November 1998.

¹⁸⁴ Hoogland, Interview with Commercial Partner, 8 November 1998.

¹⁸⁵ Ebukhosini, Interview with Commercial Partner, 31 October 1998.

¹⁸⁶ Ebukhosini, Interview with Commercial Partner, 31 October 1998.

¹⁸⁷ Ebukhosini, Interview with Commercial Partner, 31 October 1998.

¹⁸⁸ Ebukhosini, Interview with Commercial Partner, 31 October 1998.

the notion that the man “holds” the share.) He also noted that women do not participate in meetings and that the woman who sits on the committee is “always quiet”.¹⁸⁹

The female interviewee said that all employees were given the opportunity to join the scheme, that women were provided with the same training opportunities as men, and that women controlled their own dividends. She did echo the impression given by the commercial partner, namely that “In some cases where there is a husband, the women are not included.” She stated that the scheme had empowered her in some ways, but that her confidence “means nothing if we are left out when the men go and meet the officials”.¹⁹⁰

During the focus group discussion, the women present stated that as women they were now more respected owing to the scheme. They reiterated that women control their own dividends, but the impression given in the discussion was that this applied particularly to single mothers, who were the ones present in the focus group workshop.¹⁹¹ The DLA Planner responsible for the scheme said that the DLA is encouraging more women to be represented on the other committees which are in the process of being set up.¹⁹²

One shareholder at *Whitehall* stated that women had equal opportunity to join the scheme, but they did not get the same opportunities as men in that there was only one female supervisor and women are not at all represented on the management team, which consists of four men. There was the problem that women acquired skills on training courses but could not teach them to others as men were in charge of the training.¹⁹³

Women are on average paid at a lower rate than men. At *Whitehall*, this is primarily because there are different categories of work, and women predominate in the lowest-paid categories and men hold the skilled positions. The manager noted, however, that owing to the farm’s incentive system, whereby workers are rewarded on a piece work system during pruning, thinning, and harvest time, women often make up the wage difference so that there is not a large gap in the annual salaries.¹⁹⁴

While it is the intention of management to eliminate these inequalities, two years of financial hardship have meant that it is taking longer than expected to meet their targets.¹⁹⁵ However, it is noteworthy that women have expressed interest in becoming tractor drivers, but they are not allowed to fill this position as many of the tractors are old and the job was deemed as “too dangerous” for women.¹⁹⁶

One of the managers at *Whitehall* observed that in some cases, men tried to prevent their female partners from joining the scheme even though the woman was a permanent worker (a situation which also arose at *Ebukhosini*; see above). The manager believed this was because some men resisted the idea that women should acquire ownership and make decisions, and they resented it when women became more assertive as a result of this. It is notable that when farmworkers were given the option of buying more shares with their first dividend

¹⁸⁹ Ebukhosini, Interview with Beneficiary 1, 31 October 1998.

¹⁹⁰ Ebukhosini, Interview with Beneficiary 2, 1 November 1998.

¹⁹¹ Ebukhosini, Focus Group workshop, 31 October 1998.

¹⁹² Ebukhosini, Interview with DLA Planner, 11 November 1998.

¹⁹³ *Whitehall*, Interview with Beneficiary 1, 10 November 1998.

¹⁹⁴ *Whitehall*, Interview with Farm Manager, 19 November 1998.

¹⁹⁵ *Whitehall*, Interview with Commercial Partner, 19 November 1998.

¹⁹⁶ *Whitehall*, Interview with Farm Manager, 19 November 1998.

payments, the men would often buy more shares and the women would use their dividends on household goods.¹⁹⁷

At *Warmwater*, each employee was given the option of joining the scheme, and if s/he then joined, s/he was expected to save R20 a week for a year as a deposit for joining. Through this system, both the man and woman in a household were separate shareholders, but the DLA grant of R15,000 was allocated to them together.

The women at the farm often work separately from the men, and a woman called a *voorvrou* is in charge of this *vrouesafdeling*. The women sometimes work together with the men, but in all cases a man (or *voorman*) is in charge of these work teams (on some farms, there are women in charge of these teams, and they are called *voormanne*).¹⁹⁸

One interviewee stated that because he “signed” for the subsidy, he is the shareholder on behalf of his household.¹⁹⁹ This perception was repeated by participants in the focus group discussion: they stated that the man “held” the share as he had applied for the subsidy.²⁰⁰ This reinforces the findings of the Household Study,²⁰¹ which found that by allowing men to apply and list their partners as “co-applicants”, the impression was created that the man held the asset.

Another troubling aspect at Warmwater was that women were clearly paid at a much lower rate than men, and it did not appear that this was related to the type of work that was done. On average, male employees received R1200 a month (the salary ranged from R750 to R2500), whereas the women were paid a daily rate of R30 per day. Even if the women worked every day of the month, they still would earn significantly less than the lowest-paid male.²⁰²

When asked why the women were paid so much less, the argument given was that the men were more experienced as they worked for the whole year, whereas the women often only work ten months of the year. When the DLA sent a delegation from Pretoria to visit the scheme, they enquired about the discrepancy in wages, but apparently no action has been taken.²⁰³

10.1 Discussion

It is very disturbing that all of the business plans interpret the “promotion and protection of women’s interests” as consisting only of representation on the workers’ legal entity. This is a very narrow definition and ignores the most important vehicle for women’s empowerment, namely through economic opportunities. At the equity sites, not only was the promotion of women’s economic interests ignored, it was also seriously undermined by the discriminatory wage structures.

¹⁹⁷ Whitehall, Interview with Farm Manager, 19 November 1998.

¹⁹⁸ Warmwater, Interview with Non-beneficiary, 18 November 1998.

¹⁹⁹ Warmwater, Interview with Beneficiary 2, 18 November 1998.

²⁰⁰ Warmwater, Focus Group workshop, 18 November 1998. See also Interview with Manager, 18 November 1998.

²⁰¹ Surplus People Project, Household Study: An investigation of the use of “the household” as the unit of subsidy allocation and the basis for beneficiary identification in land reform policy, August 1998.

²⁰² Warmwater, Interview with Manager, 18 November 1998.

²⁰³ Warmwater, Interview with Manager, 18 November 1998.

The DLA does not entertain gender discrimination at a policy level, however it is in the implementation of policy that gender stereotypes are often confirmed by DLA Planners.²⁰⁴ It is in the details of the business plan these issues can be addressed, for example in setting targets for the provision of training opportunities for women and the achievement of employment equity. The Employment Equity Act sets out clear guidelines in this regard, and the business plan should seek to promote the realisation of the requirements of the Act.

Another troubling aspect was that there is a strong perception on the part of beneficiaries that men “hold” the shares on behalf of their households. This has been reinforced by the practice of allowing the man’s name to appear first and listing the woman’s name as “co-applicant”. The Household Study made very strong recommendations about this practice, and these recommendations appear again below.

A subject requiring further research is whether the inheritance rules written into the Trust Deeds discriminate against women. For example, the practice of allowing a widow to hold her late partner’s share only as long as she remains unmarried (as at Ebukhosini) is highly questionable.

10.2 Recommendations

- ❖ All application forms for DLA subsidies should follow a standard format which always lists the woman’s name first. The man’s name should appear second (if a qualified adult male is part of the household), and the term “co-applicant” should not appear on any application form.
- ❖ Every shareholder, whether an employee of the scheme or partner of an employee, should receive a share certificate to ensure that every applicant for a DLA grant realises that s/he has a legal claim to the business.
- ❖ The relationship between inheritance laws and trust deeds should be researched. This is a subject of relevance to land reform projects in general.
- ❖ Every business plan should include the following in its gender section:
 - an employment profile of the farm, including number of women employed and in which positions
 - a comparison of the wages, jobs, and working conditions of women and men
 - time frames for achieving gender equity at the scheme in terms of employment opportunities, wages, and working conditions

Workshop discussion, 11-12 February 1999::

The discussion group noted that current DLA promotes gender equality in all land reform projects. However there were problems in the implementation of gender equality, for the capacity of women was generally not being built equally to men. Management jobs were still reserved for men, and it was noted that in South Africa, there was not one black female farm manager.

²⁰⁴ Interview with F. Shabodien (Western Cape DLA), Cape Town, 22 October 1998.

The DLA indicated that it was not its role to be involved in labour issues, and that the law must take its course.

The following concrete suggestions were made:

- The schemes should not be embarked upon unless the farming enterprise can demonstrate that an employment equity plan is in place.
- The business plan should outline affirmative steps for providing training opportunities to women.
- The terms of reference of the facilitator should include the requirement that facilitators work with seasonal and casual labourers (who are mostly women) to investigate job creation opportunities.

11 Tenure Security and Issues of Entry/Exit

At every site, farmworker interviewees and focus groups were asked whether they felt their tenure was secure in the schemes and whether the entry and exit rules met their needs. Interestingly, the question about security of tenure – even when broken down into sub-questions – elicited little response. The impression gained by the researchers was that tenure security was not the main reason people joined the scheme (see section 4 above for a description of the reasons given for joining).

None of the shareholder interviewees expressed the fear of losing their accommodation, however it was not always clear whether they were aware that if the business were to go bankrupt they could be evicted by the new owner. As noted in section 9 above on non-beneficiaries, those who were not part of the scheme were aware that their tenure was closely linked to their employment on the farm.

The plan at *Whitehall* is to provide houses in the nearby town of Botrivier, and the plots will be subsidised by the farm and the overall costs of house and plot will be relatively low. Because Whitehall was established without DLA funding, the DLA grant which has now been applied for will be used to retire some of the debt, and then as more money is generated by the scheme, houses will be provided in Botrivier. Shareholders can withdraw their DLA grant within a five-year period (if money is available), but it can only be used to acquire land or housing elsewhere.

One of the workers said he looked forward to moving to Botrivier, as this meant that he could own his house and feel free to leave his job at Whitehall if he wished. Asked if he felt he had job security, he replied that his wages were too low, and that this made him feel as if he was not protected. It was his intention to leave the farm if he were offered a better position elsewhere.²⁰⁵

The non-beneficiary at *Warmwater* said that he did not feel his tenure was secure, but he noted that – given the recent problems experienced at the farm – the tenure of shareholders was also not secure.²⁰⁶ A shareholder said that his tenure was not fully secure, for if he broke

²⁰⁵ Whitehall, Interview with Beneficiary 2, 10 November 1998.

²⁰⁶ Warmwater, Interview with Non-beneficiary, 18 November 1998.

the rules that they had drafted, he could be evicted from the farm.²⁰⁷ As noted above, the workers at Warmwater did not appear to realise how close their scheme came to bankruptcy, and that the consequence would probably have been eviction.

An issue at Warmwater was that shareholders had no documentation to prove that they personally held shares, with all of the agreements being verbal. For example, the non-beneficiary had once held shares, but he made a verbal agreement to transfer his shares to his father. He had no documents to show that he had once held shares, nor that his father now held them.²⁰⁸ The concern about the lack of proof was echoed by one of other shareholders; in response to the question as to whether they felt secure, one man replied, "I will be sure if I can get a certificate."²⁰⁹

In terms of entry and exit, shareholders at Warmwater were required to each contribute about R20 per week for a year in order to join the scheme. If someone wishes to exit the scheme, this money is paid out, but the DLA subsidy is not paid as the scheme cannot afford to do so at present.²¹⁰ The fear that they would not be able to withdraw their share in the future was a major concern for farmworkers and reflected the financial trouble that the scheme was in. Questions were constantly posed of the researchers regarding what would happen to workers' subsidies if they were retrenched or enter retirement, and there has clearly not been enough information provided in this regard.²¹¹

At *Hoogland*, the beneficiaries hold shares in the company which owns the land, but their employer owns the houses on the land. The houses have been valued at R50,000 and R5,000 of the DLA grant was set aside as a deposit on the house.²¹² The beneficiaries have a three-year option to purchase these houses, of which 1 ½ years are left. According to the DLA Planner, profits are currently around R4000 per month, with each shareholder earning R900 from the equity scheme and R550 on the main farm every month (it should be noted that some of the equity scheme profits will be used to build three more broiler houses). The bond will be R600 per month, which should enable the shareholders to service the bonds.²¹³

The shareholders are thus secure on the land in that they hold shares in the company which owns the land, but they do not own their houses yet. To be a shareholder it is necessary to work for Hoogland Chickens, however in the case of a person who inherits a share, is under 18, and lives off-farm (as is currently the case), only 50% of the dividends are paid. The other exception is the Pretoria investor, who receives the full dividends.²¹⁴

Beneficiaries at Hoogland can exit the scheme by giving one month's notice, but it is not clear whether the scheme would buy them out or bring in a new shareholder (whether a person or a company).²¹⁵ Any new person wishing to enter the scheme in that way would

²⁰⁷ Warmwater, Interview with Beneficiary 2, 18 November 1998.

²⁰⁸ Warmwater, Interview with Non-beneficiary, 18 November 1998.

²⁰⁹ Warmwater, Interview with Beneficiary 2 and Focus Group workshop, 18 November 1998.

²¹⁰ Warmwater, Interview with Beneficiary 2, 18 November 1998. This was the case when a female shareholder died and the share capital she invested was given to her husband.

²¹¹ Warmwater, Interview with Beneficiary 2 and Focus Group workshop, 18 November 1998.

²¹² The deposit will be held for five years, by which time the beneficiaries will be paying their bonds. However, it is unclear what will happen to the R5,000 if the beneficiaries leave the scheme.

²¹³ Interview with C. Williams (Mpumalanga DLA), Nelspruit, 2 December 1998.

²¹⁴ Personal communication with S. Bonti-Ankomah, 17 December 1998.

²¹⁵ Telephonic interview with C. Williams (Mpumalanga DLA), 2 December 1998.

have to be assessed first, and would have to be willing to stay on the farm. Once the houses are transferred into the shareholders' names, they will be able to sell their houses.

During the focus group discussion at Hoogland, participants were well acquainted with the rules around exiting the scheme. However they indicated that they felt they were tied to their current jobs as long as they did not own the houses they lived in, and one person said that as soon as he could buy his house, he would leave the main farm.²¹⁶ Another of the shareholders stated that he would like the freedom to choose where to stay, and that the current scheme locked him into buying the house on the chicken farm.²¹⁷ There was therefore a very strong feeling that shareholders wished to separate their living circumstances from the scheme and from the farm on which they were employed.

One beneficiary stated that he did not have tenure security as one of the shareholders in the farm was the farm owner. Another said that he had no proof that he owned the house, even though he had been told that some of the DLA money had been used for this purpose.²¹⁸

In terms of linking accommodation and job opportunities, the *Ebukhosini* workers are definitely tied to living on the farm, although they did not indicate whether they considered this to be a problem. There was considerable confusion at Ebukhosini regarding exit from the scheme. The commercial partner stated that he did not know how to handle such situations as the people could not get their R15,000 back.²¹⁹ A worker echoed this confusion, saying that shareholders wished to buy a person out of s/he wished to leave, but that the DLA had not yet responded to their request for clarity. Furthermore, he did not understand what would happen to his shares when he dies.²²⁰ As with Warmwater and Hoogland, workers were concerned that they had no proof that they owned a share of the business.²²¹

It should be noted that tenure security carries less value if a farm cannot sustain all of the households living there. At Warmwater, the scheme started with 32 households and now has only 18; for those who have left and still hold a share in the scheme (which has not been paid out), tenure security may mean something very different than it does for shareholders who still live and work on the farm.²²²

11.1 Discussion

The beneficiaries appeared to feel secure at the schemes. However, they expressed the wish to sever the link between their accommodation and the equity scheme so that they could have the option in future of finding a job elsewhere or selling their house. As long as housing is still tied to employment, as it is at some equity sites, farmworkers will continue to have their choices and mobility seriously restricted.

At Hoogland and Whitehall, beneficiaries understood the rules around entry and exit from the scheme, but there was much confusion at Ebukhosini and Warmwater. Workers become very anxious about this issue, for it has serious implications for their future plans. At the

²¹⁶ Hoogland, Focus Group workshop, 8 November 1998, and Interview with Beneficiary 1, 7 November 1998.

²¹⁷ Hoogland, Interview with Beneficiary 2, 7 November 1998.

²¹⁸ Hoogland, Interviews with Beneficiary 1 and Beneficiary 2, 7 November 1998.

²¹⁹ Ebukhosini, Interview with Commercial Partner, 31 October 1998.

²²⁰ Ebukhosini, Interview with Beneficiary 1, 31 October 1998.

²²¹ Ebukhosini, Interview with Beneficiary 1, 7 November 1998.

²²² Warmwater, Interviews with Non-beneficiary and Beneficiary 2, 18 November 1998.

Hoogland, Ebukhosini, and Warmwater sites, the lack of personal share certificates was a cause for insecurity on the part of farmworker beneficiaries.

There are two views that can be taken of tenure security at equity sites. On the one hand, it can be said that farmworkers do not need special provisions for tenure security because 1) they are protected by recent legislation (such as the Extension of Security of Tenure Act [ESTA]); 2) as shareholders, they influence the rules of the game which relate to security of tenure; and 3) equity schemes are first and foremost a means of financial empowerment, and farmworkers can eventually take their share and decide whether to use it to secure tenure elsewhere.²²³

Another view is that tenure security is a fundamental plank in the land reform platform and it should be secured in every redistribution project. The reality on farms is that farmworkers have been subject to perpetual insecurity for decades, which has had the following consequences:

- farmworkers had minimal input into the actual content of the trust deeds, which contain clauses about tenure;
- very few farmworkers have the knowledge and confidence to make informed decisions about where and how to deploy a windfall of R16,000. Their lack of exposure to investments and capital goods mean that immediate demands – especially those of extended family networks – will be satisfied at the cost of sacrificing long-term security;
- ESTA states that positive steps must be taken to secure tenure, and relying on legislation which governs evictions does not qualify as a positive measure.

This report holds with the latter view, namely that tenure at equity sites should be secured and should be separated from the operations of the farm business. There are three options which could be pursued:

- 1) farmworkers can attempt to leverage additional finance to own the landholding company outright. However, this increases the risk of the scheme and it is difficult to service the loan owing to cash flow issues.²²⁴
- 2) farmworkers obtain a lower percentage stakeholding in the farming business in order to secure a 100% stake in the landholding company. This means smaller dividends and the incentive to increase productivity may be affected. Furthermore, as was pointed out in the report, it is questionable whether less than 20% shareholding can be considered a partnership.
- 3) farmworkers can use a portion of the DLA grant to achieve secure tenure which is not tied to employment by the scheme. This can be achieved by making provision for subdivision of the land on which the business is located to provide for residential settlement. This land would be temporarily transferred to the workers' trust, with the medium-term goal of individual title.

Related to this is the issue of exit from the scheme: it is the recommendation of Lyne et al that beneficiaries leaving the employ of an equity scheme should cease to be shareholders.²²⁵ If this means giving up one's accommodation then this is very problematic, however if tenure is secured and distinct from the scheme, it would be possible to specify the compulsory sale of shares.

²²³ Interview with H. le Roux, S. Hobson, and C. Crossley (NewFarmers), Durbanville, 9 November 1998.

²²⁴ Lyne et al, "Commercial Land Transfer," p. 6.

²²⁵ Lyne et al, "Commercial Land Transfer," p. 6.

11.2 Recommendations

- ❖ As part of the initial information process, workers should be clearly informed that if the business goes bankrupt one day, they could well face eviction if they do not have legal claims to their accommodation.
- ❖ The tenure of beneficiaries should be secured in equity schemes, and mechanisms should be put in place to ensure that this tenure is not related to the farm business. Leaving the scheme would therefore not imply being forced to give up one's accommodation.
- ❖ Every household should be issued with a certificate stating that s/he has a share in the business or property through the workers' trust. Where two adults hold shares as a household, certificates should be issued to both adults to ensure that women are not under the impression that men "hold" the shares.
- ❖ Guidelines around entry and exit should appear in the legal document which establishes the legal entity. Every shareholder should receive a simplified version of this document (this could be along the lines of the Worker's Handbook drawn up at Whitehall).

Workshop discussion, 11-12 February 1999::

The following issues were noted in the general discussion:

- Both farmers and farmworkers want exit clauses, and more thought on this is needed.
- Compulsory sale of shares is a problem if it is linked to employment. It is contrary to the spirit of ESTA, i.e. it is still a situation where employment and accommodation are linked.
- You need to tie in beneficiaries, otherwise the scheme can be used as a way to access quick cash, and there can be a run on the workers' trust fund. On the other hand, if you cannot take your money out of a scheme, you do not have the benefit of the investment.
- A distinction needs to be drawn between securing investment and securing tenure.
- What is acceptable to local authorities in terms of tenure, especially in terms of service agreements?

During the group discussion, the group's approach to securing tenure at equity sites was to retain the R16,000 for investment in the scheme itself and to secure tenure through mechanisms which would cost a minimal amount of money. The group listed four possibilities for securing tenure, namely::

1. Land bought by farmworker legal entity with DLA grant: the landholding company is owned by farmworkers and is separate from the farming business. There were problems with this option if the farming business leased this land, for the terms of the lease could be such that the farmer still had full control over the land.
2. Farmer donates land: The land would have to be suitable for settlement and acceptable to beneficiaries. As with option 1 above, farmworkers could get individual title through sectional title or long-term lease.
3. Registered notarial deed of right of residence: this would provide written confirmation of individual rights granted under ESTA, but it would not convey rights additional to ESTA.
4. Notarial deed of personal servitude: these individual rights would be registered on the title deed, and could included rights additional to ESTA. This is a flexible mechanism as

the content of this right can be determined by stakeholders. However, as the rights are individual ones, they would cease to exist if the person left the farm or died, but this could be addressed by registering long-term rights (e.g. 100 years) to a CPA.

5. Registered long-term lease, which amounts to ownership.

Overall, then, the group was encouraging options 2,3, 4, and 5, and discouraging option 1 owing to the concerns described above.

Entry and Exit

The following issues were noted:

- In terms of existing schemes, it was usually difficult to find the money to pay out farmworker shareholders, as there were serious implications for the cash flow of the workers' trust. Furthermore, mass exits could have a negative effect on those who choose to stay in the scheme, and disincentives to leaving should therefore be built in.
- There is a need to look at existing schemes to see how entry and exit strategies have been addressed and to evaluate whether these have been effective.
- The idea was mooted that principles around exit and entry should be developed rather than specific proposals.

Possible mechanisms for addressing exit from the schemes were suggested:

- Accumulate profits in a reserve fund
- Borrow the money to pay shareholders out
- Set a limit on the maximum that can be paid out each year, e.g. 10%. This would avoid a "run on the bank" of the workers' trust.

Other issues:

Discouraging the buying of land from the grant amount: the concern was raised that sometimes farmers were willing to sell land to farmworkers at a reduced amount, and that if policy did not allow for this land to be bought, this opportunity would be missed. The response was that the buying of land should still be an option, but that there should be a cap on the amount of grant money expended on the land.

Subdivision of land: it was noted that subdivision was expensive and would use up a considerable amount of the DLA grant, and for that reason subdivision into plots with individual title should be avoided.

Donation of land: it was noted that if the farmer donated land, this land could then become a dumping ground for farmworkers and would provide an easy way for farmers to divest themselves of tenure responsibilities. The response was that such donation should only be considered if there were assurances that the necessary services would be available.

One suggestion that emerged was that the land should be designated for settlement, and then services could be obtained. One response to this was that at some sites, the local authorities responsible for this (namely the District Councils) were blocking such designation.

Selling of land: the question was raised whether, once farmworkers acquired a piece of land, there were plans to be put into place to stop the farmworkers from selling their land to another buy. The DLA response was that once that land belonged to the farmworkers, it was up to them what they did with it.

Entry and exit: it was noted that for shares to be paid out, there had to be a market for the shares. This was made difficult as beneficiaries often do not want outsiders to buy in. The first option should be for the workers' trust to pay out the shares (if there was a reserve to do so or the possibility of borrowing the money), but if it was unable to do so, there could be the possibility of the commercial partner paying out the shares, although this would then decrease the shareholding of the workers' trust.

- it was asked whether interim guidelines should be developed until an in-depth investigation was complete.

12 Beneficiaries' overall evaluation of their schemes

During the focus group workshops and every interview, workers were asked their overall evaluation of their equity scheme. These were some of their responses:

Hoogland

"We are still on the farmer's land and we still don't have tenure security. Even though we own the business, we still don't own any land." (Hoogland Focus Group)

"I still do not have a house that belongs to me. I still do not have land that I can say it belongs to me." (Hoogland Focus Group)

(Note: these responses indicate confusion about the beneficiaries rights to the land and the houses on it. While this may be owing to a lack of information, their perception of insecurity is significant.)

"The scheme has succeeded so far overall. It has given the guys some confidence and purpose in life. My advice is that every farmer should get into this type of arrangement, give them responsibility and they will perform." (Commercial Partner, Hoogland)

"I have fears that in future we will be told that the business is bankrupt and we must sell it. We have not received any benefits since the project began and we are worried." (Beneficiary 1, Hoogland)

Ebukhosini

"I am happy with the choice I made and I will do it again if I have to. The problem has been the attitude of the people. A lot of the people just want to see the money in their pockets but don't want to contribute. But that is changing." (Commercial Partner)

"We did not think there was going to be any change in our lives but it is happening now... I am happy that I am part of the scheme. I am still planning on how to use my dividend. I even hope that next year I will get more money." (Beneficiary 2)

Whitehall

"They tell us what to do, we don't tell them what to do." (Focus Group)

"We want to be treated like the fruit. If you treat it with care, it will not be damaged." (Focus Group)

"The management must be honest with us. We want to trust them." (Focus Group)

"We don't have a problem with working hard, but money is held like a carrot and then we don't get it." (Focus Group)

"I've made my contribution to the country and made up for the past." (Commercial Partner)

Warmwater

“It is not an easy road. You must plan by saying, ‘I will work hard for 2 years, but by the third year I must get something out.’” (Beneficiary 2)

“We were promised much, but it is still the old South Africa.” (Focus Group)

“If I were to do it again, I would put my money in a house, unless I could see that this farm is growing.” (Focus Group)

“If we were treated well, things would go better.” (Beneficiary 1)

“If we can stand and work together, things will go better and it will give us more power.” (Beneficiary 2)

“We were promised things would be better. I thought I would get more money and buy a car.” (Focus Group)

“If we lived better, we would produce better work.” (Focus Group)

13 Conclusions

Equity schemes as farmworker investments

Share equity schemes are a risky business. They are subject to fluctuating circumstances over which the farming community often has no control, such as interest rates, product prices, and climatic conditions. They are management intensive, and when poor management decisions are taken – as has been described in this report – the entire project can be in jeopardy. Given these enormous risks, share equity schemes should be embarked upon with great circumspection given the importance of the farmworkers’ R16,000 investment. The return on investment for a given equity scheme may well be lower than conventional investments with much lower risk profiles.

Impact

For farmworkers, the impact of share equity schemes is measured not by their theoretical share in the business but in the actual changes in their living and working conditions. This report has shown that the main reasons farmworkers joined equity schemes was to increase their standard of living in visible ways and to provide their children with a better future. If the land acquisition grant is meant to benefit farmworkers in the first instance, these needs should receive the first priority when considering these schemes. Recommendations in this regard are made below.

Percentage stakeholding

A crucial choice made at the beginning of projects is the percentage shareholding that farmworkers will own. A stake of 50% will ensure that the balance of power rests with farmworkers on paper, but the extent to which this is translated into equal power relations on the farm is questionable.

As a DLA official and one beneficiary noted, 50% shareholding does not mean 50% say. At Whitehall, where the workers’ stake is 50%, it has taken years for black management to wrest at least equal power from the original owners, and the sense of equal power relations is not felt by black workers. Furthermore, the amount of debt required to secure the 50% shareholding is crippling the enterprise (although as noted above, additional factors such as the high interest rate and the valuations procedure also played a role in this).

On the other hand, a negligible stake in a farm enterprise cannot reasonably be called a partnership. If farmworkers are not really partners in the scheme, there are disincentives to work harder.²²⁶ If workers double their output, most of these gains will accrue to the majority shareholders, and other incentives therefore have to be built into the project (see discussion below on profit-sharing).

Separation of roles of shareholder/employee

A number of problems arose in the schemes owing to the conflation of the roles of shareholders and employees. This report has consistently argued for mechanisms to be put into place to ensure that these roles are kept separate and for this to be clearly communicated to all workers. For example, the report recommends that employment contracts be drawn up for all workers and that uniform wages and working conditions apply to both beneficiaries and non-beneficiaries.

One manifestation of the blurring of these roles is the lack of financial incentives for non-beneficiaries, who can be put under pressure by beneficiaries to work harder in order to maximise profits. There is a strong argument to be made for introducing profit-sharing, whereby a portion of the profits would be paid to all employees to recognise their contribution to the success of the project. Profit-sharing differs from shareholding in that a proportion of profits is paid before decisions are made by all shareholders regarding whether dividends will be paid. This would also address the problem of “passive shareholders,” who in the case of equity schemes are either third-party investors or beneficiaries who have left the scheme and have not been paid out their shares.

Gender

The report revealed a number of problems in relation to gender. The promotion of women’s interests has been narrowly defined in the projects to mean representation on the workers’ trust and/or farming trust, and the promotion of their economic needs has been neglected. In at least two cases, there is wage discrimination at the equity sites, and this must be addressed as a matter of urgency.

Capacity-building

The farmworkers who become shareholders in equity schemes are for the most part poorly educated and often disempowered by generations of domination, and this makes meaningful participation in management and financial decision-making an extremely ambitious goal. It is noteworthy that in a successful scheme in KwaZulu-Natal which established emerging farmers as independent sugar producers, Illovo specified that applicants would be required to be literate and numerate.²²⁷ While the beneficiaries of such schemes are clearly not the most marginalised, it is significant that minimum education levels were specified. The question is, can equity schemes be partnerships in the true sense of the word if there is such a huge discrepancy in the skills, experience, and confidence between the farmworkers on the one hand and commercial farmers and third-party investors on the other?

An assessment should be made in the feasibility process as to whether it is likely that farmworkers will eventually be able to participate in decision-making and change the power relationships. As noted in section 6 (Skills Transfer), the amount of capacity-building and information provision has been under-estimated. A significant portion of time has to be

²²⁶ Interview with J. Hamman, Cape Town, 23 October 1998.

²²⁷ Lyne et al, “Commercial Land Transfer,” p. 14.

invested in building trust, explaining complex details, and developing an understanding of how businesses work among farmworkers.

Transformation of the rural areas

The challenge is to convert the R16,000 grant into improved living conditions, additional livelihood opportunities, tenure security, and transformed power relations in the rural areas. This burdens the grant with many expectations, and perhaps the expectations should be down-scaled and the process should be viewed as an incremental one. Acquiring a stake in a commercial venture should be seen as a valuable rung in the “agricultural ladder” between wage labour and independent farming,²²⁸ but it cannot be expected on its own to effect social and economic transformation. For this reason, the emphasis should rest on securing tenure for farmworkers and achieving visible benefits for them in the form of increased incomes, skills transfer, and improved living conditions.

Redistribution

Are share equity schemes a form of redistribution if commercial farmers are paid a sizeable amount of money for a portion of the business and the farmers are then materially better off? It is questionable whether there is an overall redistribution of resources between previously advantaged and disadvantaged rural residents. This is a broader question for the land reform programme.

Creation of Rural Livelihoods

The schemes had differential impact in terms of job creation. At Whitehall, which was an existing venture, a significant number of jobs were shed as productivity increased. At Northridge, where workers have acquired a stake in a packing plant, seasonal workers have become permanently employed. Hoogland was a new venture, and it has already begun to spawn new micro-enterprises. It is noteworthy that the one scheme which did not create new jobs (namely Whitehall) was a project where the main motivation for the commercial farmer was debt reduction.

Clearly the creation of new jobs and business opportunities is possible in equity schemes, and there should be a strong bias towards those schemes which have positive economic benefits for the rural economy in general.

Workshop discussion, 11-12 February 1999::

In terms of job creation, it is necessary to look at the short- and long-term. One of the benefits of equity schemes is that they increase the capacity of the agricultural sector to compete internationally, which in the long term will have positive spin-offs. It was also noted that many South African farms use too much labour, which is why job shedding may occur at equity sites as productivity increases (the example was given that Whitehall was over-staffed when the scheme started, and jobs were shed in that project).

DLA Issues

There were some specific issues around DLA implementation that emerged in the interviews. In the Hoogland and Warmwater projects, when finalisation of projects was repeatedly postponed in projects owing to delays within the DLA processes, the commercial partners

²²⁸ Hamman, “Typology of Joint Ventures,” p. 7.

advanced the necessary funds for transfer to occur.²²⁹ In the case of Warmwater, NewFarmers loaned money to Nuwe Begin, and the pressure caused by the interest payments put enormous pressure on the DLA to pass the project even though clauses in the Trust Deed relating to tenure had not been finalised.²³⁰

While it is not within the parameters of this report to identify the blockages in the redistribution process, it is important to emphasise that unnecessary delays can lead to situations where the DLA can be held hostage by the fact that the project has already gone ahead.

One of the findings of the research was that there was insufficient follow-up provided by the Department of Land Affairs, although a Monitoring and Evaluation (M&E) system is in the process of being developed.²³¹ The lack of follow-up is owing to a number of reasons: first, the DLA does not want to “hold on” to projects: at the point of approval, the DLA can ask that certain targets be met, but after approval the department cannot dictate what happens.²³² Secondly, the DLA provincial staff have a significant case load, and no sooner is one project finished than another takes its place, which makes monitoring of approved projects difficult.

Thirdly, the lack of follow-up is worse in places where the provincial Department of Agriculture does not actively support the projects. And fourthly, the facilitator contracted by the DLA is paid once the project is completed, which is an incentive to complete the project quickly. The facilitator is then not held responsible if problems later emerge which relate to the facilitation.²³³

Essentially, the DLA has no power over the project once designation occurs, so when a project goes awry and the private sector is not keeping to agreements, no action is taken. Many of these problems relate to the lack of DLA control over post-transfer support, and these problems therefore also apply to other redistribution projects.

Workshop discussion, 11-12 February 1999::

The discussion group noted that the DLA has tools to evaluate redistribution projects in general, namely Critical Project Data (CPD), Quality of Life (QOL), and Diagnostic Evaluation Studies (DES). Within these, specific features and foci needed to be developed for share equity schemes.

Some of the measurement tools which could be employed could be:

- Collateral use – social investment
- Dividend analysis
- Capital growth analysis
- Debt ratio analysis
- Adherence to trust deed / constitution

²²⁹ Hoogland, Interview with Commercial Partner, 8 November 1998; Memorandum: Director-General (DLA) to the Minister, 14 April 1997.

²³⁰ Memorandum: Director-General (DLA) to the Minister, 14 April 1997.

²³¹ Interview with F. Shabodien (Western Cape DLA), 8 October 1998. The role of M&E is to measure the length of the project cycle and the impact on the quality of life of land reform beneficiaries.

²³² Telephonic interview with G. Oricho (national DLA), 8 December 1998.

²³³ Interview with F. Shabodien (Western Cape DLA), 22 October 1998.

- Participation analysis (e.g. number of meetings, attendance, minutes, etc)
- Compliance assessment (i.e. to what extent were business plans followed?)

An evaluation of equity schemes would have to establish what the farmworkers' vision was for the scheme. The indicators could include:

- Housing
- Improved bargaining ability
- Increased income opportunities
- Inheritance considerations (i.e. to what extent are life chances of heirs changed?)
- Say in business / empowerment
- Sense of pride / dignity
- Improved knowledge and capacity

Compliance to business plans: the idea of holding back a portion of the grant to see if the project goes according to plan was mooted. The response was that this is already being done in some provinces.

Post-transfer support

The lack of DLA capacity was noted. The alternatives for post-transfer support were:

- Ensure maximum of capacity-building of farmworkers during the project cycle
- Review facilitation process to ensure that there is maximum transfer of skills and capacity
- A detailed transfer of skills programme for farmworkers should be provided in business plans.

13.1 Overall Recommendations

- ❖ As part of the feasibility study process, the expected return on investment of the project should be compared with conventional investment vehicles, and the possibility of investing the money elsewhere with a more secure return should be an option of the redistribution programme and should be presented to farmworkers as an option.
- ❖ The need and expectation of farmworkers for short-term, visible benefits should be addressed. Visible benefits should be built into every year of the financial plan, the possibility of establishing equity schemes which specialise in cash crop production should be explored, and the setting aside of productive land for beneficiaries' private use should be actively encouraged.
- ❖ DLA guidelines of January 1997 should be revised to reflect the findings of this report and other evaluations of share equity schemes.
- ❖ The DLA guidelines should include a checklist of minimum conditions for equity schemes. These would include:
 - the achievement of secure tenure which is separate from the scheme and makes provision for communal or individual title

- the creation of new jobs and business opportunities to ensure positive economic benefits for the rural economy in general
 - a minimum percentage shareholding for a project to be considered an equity share scheme
 - a realistic expectation that the farmworkers at the site will, with appropriate capacity-building, meaningfully participate in decision-making processes as equal partners
 - an employment equity plan (in accordance with the Employment Equity Act) outlining the employment profile of the farm and time frames for the achievement of gender equity
- ❖ Additional requirements should be included in business plans, including:
- targets for transfer of specific skills and responsibilities. These would specify both the content of the skills and responsibilities as well as the deadlines by which transfer should have taken place
 - provision in each year of the business plan for visible benefits
- ❖ A monitoring and evaluation system should be finalised and implemented as a matter of urgency. The new guidelines and checklist which are recommended above should feed into the development of a questionnaire.
- ❖ Consideration should be given to the use of the post-transfer fund to pay an additional amount to equity schemes after one or two years of operation if targets set out in the business plan are met (such as equal pay for equal work and the provision of visible benefits). This would provide an incentive for all partners in equity schemes to set realistic goals and to meet them, and would give the DLA some clout when conducting follow-up.
- ❖ Serious consideration should be given to establishing a specialist unit within DLA to scrutinise equity scheme applications. The specialist team would assess the schemes against the checklist of minimum conditions.
- ❖ A dual system of profit-sharing and shareholder dividends should be introduced to address the problems of blurred shareholder/employee roles and the lack of benefits accruing to non-beneficiaries and passive shareholders.

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- Memorandum, P.F. de V. Cluver and Lebanon Trustees, 8 March 1997.
- Nuwe Begin Project: Appraisal Report, 14 March 1996.
- Project Ebukhosini: Second Draft Addendum Report, 5 December 1995.
- Whitehall Business Plan, August 1998.
- Whitehall Workers' Handbook, no date.

Primary Sources: Case Study Interviews

- Ebukhosini: Focus Group workshop, Interview with Commercial Partner, and Interview with Beneficiary 1, 31 October 1998; interview with Beneficiary 2 and non-beneficiary, 1 November 1998.
- Hoogland: Interview with Beneficiary 1 & 2 and Non-beneficiary, 7 November 1998; focus group workshop and interview with commercial partner, 8 November 1998.
- Warmwater: Focus Group workshop, Interview with Beneficiary 1, Beneficiary 2, Non-beneficiary, Supervisor, and Farm Manager, 18 November 1998.
- Whitehall: Focus Group workshop, Interview with Beneficiary 1, Beneficiary 2, and Non-beneficiary, 10 November 1998; Interview with Commercial Partner and Farm Manager, 19 November 1998.

Primary Sources: Specialist Interviews

L. Beerwinkel interview (Centre for Rural Legal Studies), 15 October 1998.

E. Groenens telephonic interview (Department of Agriculture: Western Cape), 2 December 1998.

J. Hamman interview, Cape Town, 23 October 1998.

H. le Roux, S. Hobson, & C. Crossley interview (NewFarmers Development Company), Durbanville, 9 November 1998.

G. Oricho telephonic interview (National DLA), 8 December 1998.

F. Shabodien interview (Western Cape DLA), Cape Town, 22 October 1998.

J. Sunde interview (Centre for Rural Legal Studies), Cape Town, 20 October 1998.

C. Williams interview (Mpumalanga DLA), Nelspruit, 11 November 1998

Appendix A: Terms of Reference

Research Proposal:
**An examination of the impact of share equity schemes on beneficiaries in
the Western Cape and Mpumalanga**
12 October 1998

Background:

Over the past few years, share equity schemes have become a favoured and widely publicised option in the land reform programme (see *Land Info*, March 1998). This is primarily because they are seen as a mechanism to overcome the constraints of the R16,000 subsidy by mobilising private sector resources and thereby widen the scope and effectiveness of the land reform programme.

A recent report prepared for the Department of Land Affairs examined 18 such ventures to ascertain how the Department could best promote and support them with its post-transfer fund (see Lyne et al., June 1998). Yet these schemes have not been evaluated in terms of the broader goal of redistributing land and power within South Africa, and the effects on beneficiaries themselves have not been examined, such as the ability to achieve secure tenure and change employment or place of residence, changes in labour relations, and effects on the position of women on farms. With many such projects currently being implemented, it is imperative that beneficiaries' experience of these schemes be documented so as to inform the engagement of stakeholders in such ventures.

The Surplus People Project (SPP) began actively to work with farmworkers in the Western Cape in 1997, when it launched a campaign to influence evictions legislation and to inform farmworkers of their labour and tenure rights. As part of this project, SPP conducted research on the living conditions of farmworkers and the various options for addressing farmworker needs, which was published as *Farmworkers in the Western Cape: Current Conditions and Options for Change* (September 1997). SPP wishes to build on this research by conducting an evaluation of share equity schemes in the Western Cape and Mpumalanga.

Objectives of the Research:

To evaluate the effects of share equity schemes on farmworker beneficiaries in the Western Cape and project longer-term implications of the schemes in order to:

- assess share equity schemes against the objectives of the land reform programme of the Department of Land Affairs and to make practical recommendations with regard to achieving these objectives;
- inform stakeholders (potential beneficiaries, service providers, private investors, and the Department of Land Affairs) of the potential benefits and pitfalls of share equity schemes for land reform beneficiaries;
- identify further areas of research;
- inform SPP's engagement with share equity projects in the future.

Content of the Research:

1. Brief overview of share equity schemes in South Africa
 - typology of share equity schemes
 - general information on existing and planned equity schemes throughout the country
 - relationship to the land reform programme

2. Analysis of share equity schemes based upon the following questions:
 - who initiated the schemes?
 - why did beneficiaries decide on the share equity scheme (as opposed to other schemes)?
 - what were the expectations of beneficiaries? have these expectations been met?
 - has the tenure security of beneficiaries improved?
 - has the economic security of beneficiaries improved? have incomes improved?
 - have beneficiaries seen these schemes as a means by which they gain access to land, or have they embarked on the scheme for other reasons?
 - have the schemes led to greater participation of workers in management decisions?
 - have women received an equal share of benefits in terms of employment opportunities, tenure, and financial benefits?
 - what has been the impact of the schemes on relations between different groups of workers on the farms (e.g. beneficiaries / non-beneficiaries)?
 - what has been the impact of the schemes on relations between workers and management? how do labour relations on the farm compare with nearby farms?
 - to what extent have the schemes succeeded in transferring skills and self-confidence to beneficiaries?
 - what has been the impact of the schemes on the workers' ability to change employment or residence? how would changes in the rules around entry and exit affect farmworkers?
 - to what extent do business plans reflect the reality on the ground, and have their objectives been realised?

3. Brief evaluation of the role of share equity schemes in rural transformation, with particular reference to:
 - increase/decrease in livelihood opportunities
 - profitability of the agricultural sector
 - transfer of land and power from advantaged to disadvantaged groups

Methodology:*1. Case Studies*

An assessment of share equity schemes is made difficult by the fact that only a handful of schemes have been in operation for more than two years. Four sites will be selected, with preference given to sites where the scheme has been in operation for some time. It is intended that the sites will differ in terms of agricultural activity and type of equity scheme. At each site, information will be collected as follows:

- two interviews with beneficiaries
- one interview with a non-beneficiary (e.g. permanent workers not participating in the scheme and non-permanent workers)

- interview with commercial partner (e.g. farm owner or manager)
- focus group workshop

2. Primary Sources

There are a number of people with considerable expertise in the area of equity schemes and their experiences have rarely been documented. At least one representative from each of the following will be interviewed:

- Provincial Department of Land Affairs (Western Cape and Mpumalanga)
- Provincial Department of Agriculture (Western Cape and Mpumalanga)
- National Department of Land Affairs
- Department of Trade and Industry
- Non-governmental Organisations with experience of equity schemes (e.g. Centre for Rural Legal Studies, Centre for Integrated Rural Development, Land Development Unit, Programme for Land and Agrarian Studies, Women on Farms)
- individual facilitators of share equity schemes
- union official(s)

3. Secondary Material

There is a body of work which will inform especially the initial stages of the research. Some of the published and unpublished material on farmworker equity schemes includes the following:

S. Bonti-Ankomah (1998), "Evaluation of Options for Tongaat-Hulett Sugar Company" (unpublished paper)

Department of Land Affairs, (1997?), *Mid-term Review of the Land Reform Pilot Programme*

Department of Land Affairs (1997), "A Support Framework for Private Sector Initiatives in Land Reform" (unpublished memorandum)

J. Ewert & J. Hamman (1996), "Labour Organisation in Western Cape Agriculture: an ethnic corporatism?", in *The Agrarian Question in South Africa*

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M. Lyne, D. Graham, B. Pieters, J. Hamman, and P. Zille, "Feasibility Study for the Support of Commercial Land Transfer Projects" (Report prepared for the DLA, June 1998).

C. McKenzie (1996), "An Analysis of the Fiscal Performance of Alternative Farm Models", in *Land, Labour and Rural Livelihoods in Rural South Africa*

Further secondary material will be accessed in the course of the research.

Outputs:

- stakeholder workshop to report and discuss research results before finalisation of report
- 20-page report, which will be produced as a joint SPP/LAPC publication and distributed to stakeholders
- presentation of final report to DLA policy and implementation branches
- five-page condensed version of the report, to be disseminated to relevant magazines (e.g. Farmer's Weekly, Mail & Guardian)
- community pamphlet to report research findings to beneficiaries at case study sites and other potential sites

Time Frames:

Nine weeks, with research to commence the week of 12 October 1998.

Appendix B: List of participants at workshop of 11-12 February 1999

Roberta Burgess (ARC – Infruitec)
Fatima Shabodien (Western Cape DLA)
Andrew Cochrane (Mpumalanga DLA)
Chris Williams (Mpumalanga DLA)
George Oricho (National DLA)
Lala Steyn (National DLA)
Nonzamo Rankin (National DLA)
Indran Naidoo (National DLA)
Fazel Moosa (Programme for Land and Agrarian Studies)
Andries du Toit (Programme for Land and Agrarian Studies)
David Mayson (SPP)
Boyce Williams (SPP)
Glenda Glover (SPP)
Hildegarde Fast (SPP)
Malcolm McCarthy (LAPC)
Johann Hamman (Hamman & Schumann)
Anton Cartwright (Hamman & Schumann)
Chris Crossley (NewFarmers Development Co)
Ben Schoeman (consultant)
Mpho Molaoa (Land Development Unit)
Richard Rosenthal (Richard Rosenthal Attorneys)
Lionel Beerwinkel (Centre for Rural Legal Studies)
Mike de Klerk (Land Bank)
Edwin Groeners (Western Cape Dept of Agriculture)
Marius Paulse (Western Cape Dept of Agriculture)