

SOUTH AFRICAN

LABOUR BULLETIN


Jan/Feb 1994 Volume 18 Number 1

Alec Erwin/Bobby Godsell
ISP REPORT
IGWU strike



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Productivity challenge: *PG Bison negotiates the crisis*

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17th Floor Conlyn House
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Published by
Umanyano
 Publications cc
 89/00595/23

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SOUTH AFRICAN LABOUR BULLETIN

Vol 18 No 1 January/February 1994

Table of Contents

Editorial Notes	3
Broadly Speaking	
<i>REDEYE</i>	4
Labour Notes & Obituaries	
<i>Karl von Holdt, Snuki Zikalala,</i>	
<i>Zolile Mtshelwane, James Motlatsi, Morice Smithers</i>	6
Cover feature: PG Bison	
Negotiating the crisis	12
<i>Lael Bethlehem, Sakhela Buhlungu,</i>	
<i>Owen Crankshaw, Caroline White</i>	
International	
Italian labour movement	
<i>Interview with Bruno Trentin</i>	20
TGWU security workers strike	
<i>Jane Barrett</i>	27
Briefing: Industrial councils	
<i>Karl von Holdt</i>	32
Briefing: Illegal workers	
<i>Ashwin Desai</i>	34
Briefing: Zenzeleni	
<i>Liv Torres</i>	36
FOCUS: Reconstruction and	
Development programme	
A view from the tripartite alliance	
<i>Alec Erwin</i>	39
A view from business	
<i>Bobby Godsell</i>	44
Industrial strategy for South Africa: the recommendations of the ISP	
<i>Report by ISP</i>	48

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Six issues per subscription. The views expressed in the contributions are not necessarily those of the editorial board of the Labour Bulletin or of Umanyano Publications.

Published since April 1974

Briefing: ABI strike

Zolile Mtshelwane 76

Briefing: SACCAWU breakaway

Zolile Mtshelwane 78

Briefing: NUM congress

Karl von Holdt 80

IMF: dangers and opportunities

Vishnu Padayachee 82

Book Review

NEF: Engine of development (*Ed: Ebrahim Patel*)

Reviewed by Geoff Schreiner 89

Profile

JJ Mabena

Interviewed by Karl von Holdt 95

All photographs by William Matlala or Umanyano Publications, unless otherwise indicated.

Cover photo by Paul Weinberg.

Back cover cartoon by Judy Seidman.

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Inflation Monitor: November 1993

Area	Consumer Price Index (1990=100)		Annual rate of inflation (% increase over 1 year)	
	Nov 1993	Dec 1993	Nov 1993	Dec 1993
Cape Town	150,0	150,3	9,2%	9,7%
Port Elizabeth	147,5	148,1	8,5%	9,7%
East London	148,7	149,3	9,1%	9,9%
Durban	145,3	145,7	9,0%	9,5%
Pietermaritzburg	149,8	150,3	8,6%	8,6%
Witwatersrand	148,5	148,8	9,2%	9,2%
Vaal Triangle	142,3	142,6	8,5%	8,3%
Pretoria	148,3	148,9	9,8%	10,1%
Klerksdorp	147,0	147,0	9,5%	9,4%
Bloemfontein	144,8	145,0	9,9%	10,2%
OFS Goldfields	149,2	149,7	12,0%	12,2%
Kimberley	150,1	150,4	11,0%	11,2%
SOUTH AFRICA	148,2	148,6	9,2%	9,5%

Source: Central Statistical Service

Most commentators agree that at the centre of SA's economic stagnation there is a problem of low productivity. Most also agree that, if industry is to survive the opening of SA's economy to international competition, productivity will have to increase.

But there the agreement ends. There are great differences over why productivity is low, and how it should improve. The PG Bison case, for example, shows how illusory a consensus built on 'worker participation' may be. The PG Bison experiment was seen by many as exemplary – yet it collapsed. PPWAWU and the company have found a negotiated solution to the immediate problem of retrenchment and repositioning the company – but whether they will be able to establish a durable co-operation on ongoing restructuring is still an open question.

The Industrial Strategy Project, an abridged version of whose research results is published in this issue, has produced by far the most comprehensive proposals on how to improve the competitiveness of SA industry. In many ways these proposals constitute a paradigm shift in the SA debate. Management would have to approach productivity issues very differently if the ISP proposals are to work. The ISP proposals have a close affinity with many of the positions being advocated by unionists within COSATU.

Yet its concrete implications for trade unions are not entirely clear. To what extent can unions take on some of the concerns of management, and at the same time defend their members' interests, especially in the context of SA's highly conflictual industrial relations? The premise of the ISP proposals is co-operation – yet we mostly see evidence of intense struggle over wages, retrenchments,

flexibility and centralised bargaining.

The conflict over productivity issues is a microcosm of a broader social struggle. The ANC's Reconstruction and Development programme – discussed in this issue by Alec Erwin and Bobby Godsell – is also premised on co-operation between the major social forces. Yet most of the proposals in the RDP are the subject of major contestation. Every time the ANC puts forward a view that implies a significant redistribution of wealth and power, big business, international finance and other vested interests start to fire warning shots.

The lesson is clear. Underlying the co-operation is a profound social struggle over the agenda for change, the means and the goals of change. There is a need for continuous contestation, continuous struggle. This gives birth to a new strategy – perhaps most clearly expressed in Vishnu Padyachee's article on the IMF, but contained also in the RDP strategy, and in the TGWU struggle for ICs, and the PPWAWU struggle for influence at PG Bison. This is a strategy that combines co-operation and compromise with a continuous struggle to define the agenda of change, based on independent organisation and mobilised power. ☆



Karl von Holdt, editor

NOTE: In the last issue of *Labour Bulletin*, RED EYE suggested that there was no such organisation as OSATU, reported to have affiliated to WCL. In fact the United SA Trade Unions (USATU), which includes the African Mine and Allied Workers Union, has affiliated to WCL.



ICs: democrats or dinosaurs?

Listen to this: "Industrial Councils from the high form of industrial democracy and self-government and have always been supported by the Department of Manpower as the corner-stone of collective bargaining."

There wise words were spoken by one D Van der Walt, a direction in the Department of Manpower. Has he forgotten that industrial councils were originally set up to exclude black workers? That they regularly reached agreements concerning the wages and conditions, with no embarrassment at all that black workers were not represented? That many ICS fought (and still fight in the furniture industry) to exclude unions representing black workers or even dissolved themselves to prevent this?

Has Van der Walt forgotten all this? RED EYE is sure he has after all, this is the age of forgetting, when dictators pose as democrats and even some liberators forget their commitments. ❖

That big crazy Swazi chief

In the last issue of *Labour Bulletin*, REDEYE said the elections would make some people crazy. You have to admit those words were true. Listen to that big crazy Swazi Chief FW de Klerk for example. After being chased out of an OFS township by youths he threatened: "The ANC must watch out, they are in the minority and if they do not watch out they are going to get hurt. I killed apartheid, not Mandela." Sies! sounds like the last eight years, doesn't it?

Now listen to the big crazy chief at a conference three days later: "I am confident that after the elections SA will achieve sufficient stability to attract foreign investors. After the elections the government of national unity will have the legitimacy which my government did not have to take firm steps against ultra-radicals on the left and right who try to disturb order and undermine stability."

Let's hope the big chief really is crazy on this one ... ❖

Dear voters, please forget...

The whole thrust of the NP is that voters should support them because they have good experience of how to run a government while the ANC does not. The ANC and its civics, the NP advertisement says, couldn't even govern a township.

What the ANC hopes we all forget is the reason why the ANC has no experience of government: it was locked up in NP jails. Most civic leaders were also in jail – or shot dead by NP security forces ... ❖

A tale of good government and garbage

Come gather round, my friends, and enjoy RED EYE's tale about the NP and good government.

Once upon a time, the TPA (an NP creation, O my friends) was forced to take over paying the wages of the Soweto municipal workers when the Soweto Council (another NP creation, O my friends) was dissolved. But unfortunately the TPA claimed not to have enough money to pay all the workers. So every month 3% of the workers were unfortunate enough to receive no pay. Oh, wonderful good government of the NP!

After many attempts to discuss this injustice, the workers went on strike (Oh, workers are so unreasonable, my friends). And so the garbage piled high in the streets, another brilliant example of NP good government. Or was it perhaps the fault of the ANC and the civics, as the NP says? Because it seems the TPA gets confused in this story, and no longer knows who is the good government. The TPA then demands that the ANC must solve the crisis by signing an agreement that residents will pay for services – and only then will it pay the workers.

This is a story that is difficult to end, my friends. What can one say? Let's hope we

never again have to suffer this kind of government. ❖

DP: Nothing left to say

The DP has come out with a wild new billboard that is set to take the voters by storm. The board is divided into three parts. On the left is a bold statement: If the left get in nothing will go right.

On the right is a second bold statement: If the right get in there will be nothing left. (*Clever hey?*)

And in the middle, sitting like a big egg, is the DP logo on a white background. No words, no slogan, nothing. How does that grab you?

RED EYE is still trying to understand the message of this advertisement. Does it mean that if you vote DP nothing will change? Or nothing will happen? Or if you say nothing and stay in the middle everyone will vote for you? Or you just better wait till the DP egg hatches and then you'll see some action ...

Miners tiff

Everyone knows that Scargill's NUM and our NUM have been close friends for years. The collapse of the WRTU seems to have put some strain on that friendship. Some years ago the NUM (UK) was instrumental in splitting the Mines International Federation to form a new communist dominated international organisation aligned to the WRTU. Now, the NUM (SA)'s heart may have been with the breakaway, but the bucks were with MIF – so it affiliated to the MIF.

A couple of years ago two branches of Scargill's union applied for affiliation to the MIF – which constitutionally they are able to do. The NUM (SA), as an affiliate of the MIF, was able to block their application for some time as favour to an old friend.

Finally though they had to give up.

Then, RED EYE hears, came the angry letter from Scargill, denouncing this betrayal. Matters were heard about whether this was internationalism – or a new form of coloucalism ... ❖

One meeting, two meetings, bafan' ...

Whenever you pass the meeting of the big leaders, you find there is a second meeting outside. RED EYE spotted one of these meetings outside the Protea Gardens hotel where the ANC national list meeting was taking place. This was the meeting of the bodyguards. Every late model car has its own commander and his subordinate. When they come out of the cars, it is like rally. Even if they play different music in each car, we say "Viva the People's Army, viva!" ❖

Roelf ducks lightning

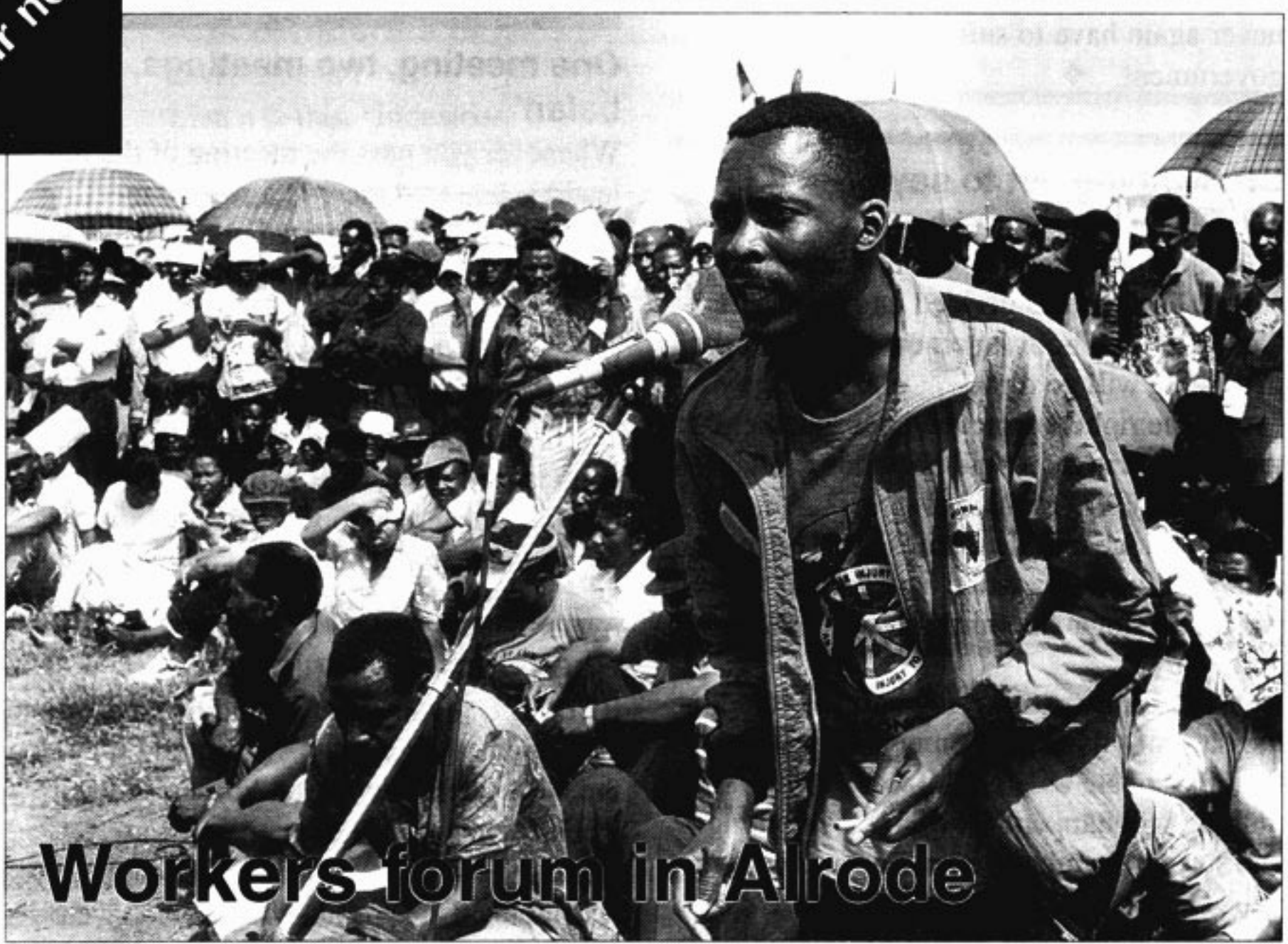
RED EYE thinks there should be an election campaign every year, it's so entertaining. In the NP's latest attempt to Africanise itself, Roelf Meyer visited Soweto and was sprinkled with bile of a slaughtered goal by a sangoma. One Joshua Nxumalo, Soweto NP chairperson, explained that Roelf had to be introduced to the ancestors because when the ancestors died blacks and whites were still at war. "If we don't introduce you to the ancestors, you may be hit by a powerful lightning bolt."

Lucky Roelf. Reports said he was there to "pave the way" for FW and Pik to visit Soweto later in their election campaigns. To test whether Roelf got hit by lightning, perhaps?

Mind you, if Red Eye was an ancestor he wouldn't let a little bile get between my lightning and the war criminals of SA. ❖

World Trade Centre on strike

While Nelson Mandela was announcing the lifting of the rent boycott to the National Local Government Forum at the World Trade Centre in January, armed Internal Stability Unit members guarded the doors at the back of the main hall. It turns out that canteen workers were sitting silently in the dark on a wage strike! To his credit, the ANC President refused lunch in solidarity with the workers! (*William Matlala*) ❖



Workers forum in Alrode

Three to four thousand workers gathered on a field in Alrode Industrial area on the East Rand to put questions to their leaders who are going to parliament, and to hear their answers.

They come in blue factory overalls, in union T-shirts, a sprinkling of older men in jackets shiny with long use. Some factories sent a delegation of shop stewards, others sent their night-shift - but in many the whole workforce walked out to participate in the workers forum. Since in most cases management had refused COSATU's request for paid time off, this meant forfeiting an afternoon's pay and risking disciplinary action. But the expected appearance of a national

figure from COSATU failed to materialise.

About half of NUMSA's 6000 members in the Alrode local attended. Few workers from the other affiliates with large membership in Alrode - CWU and FAWU - participated. "They did no spadework," said one shopsteward - possibly because unlike NUMSA they do not have local offices.

Three delegates from the ANC's regional parliamentary list did pitch up - Mohammed Dangor, Maggie Magubane and Andries Skosana (the latter two formerly of COSATU). The lively gathering posed them tough questions, ranging from political bombshells like, "Are we not voting to simply restructure

capitalism by voting for the ANC?", to complaints about poor service from NUMSA organisers.

Political questions including criticism of the ANC's record of compromise without consulting its base, demands for clarity whether the ANC would give workers the right to strike without dismissal and whether it had abandoned nationalisation as a policy, and doubts about the ANC's ability to deliver change when it had agreed to being locked into a government of national unity for five years.

Workers also wanted to know whether the ANC would close the wage gap between black and white workers. One elderly man

told the meeting that he earned only R200 per week, and had to support four children. What did COSATU think of that? Another feared that if he went to claim UIF or pension money after April, he would be told to ask the government of De Klerk about it. A third complained that provident funds only provide loans for members wishing to buy houses, not for members from the countryside, such as himself, who might want to purchase some cows. Several workers raised criticisms of union service, and asked COSATU to do something.

The answers given by the ANC representatives were often not very illuminating. Dangor turned the question about restructuring capitalism into an answer about reconstructing the economy. Some time later a burly worker in blue overalls pointed this out and demanded an answer. Fortunately for Dangor, his bleeper beeped and he could rush off to his office without answering the question.

All three of the ANC representatives also responded to difficult questions by saying that if ANC won 70% of the vote it could put in place any policy, including extensive nationalisation. This is simply untrue and most worker leaders know it. The dangers with this kind of public rhetoric is that it generates cynicism and disillusionment, and could undermine the prospects for

mass participation in development which the RDP calls for.

Despite the disappointment, the event provided a boost for spirits and organisation in the local and the factories. As organiser Suzanna Harvey pointed out, workers had

successfully defied management's threats. It had been a rainy week, but the sun shone on union banners and floral umbrellas. It was certainly more fun debating politics than operating the noisy machines of the bosses. ☆
(Karl von Holdt)

Shopstewards question ANC leaders

In November last year the ANC leadership - including Nelson Mandela - addressed a series of People's Forums on the Witwatersrand, including railway workers at Kaserne, mineworkers in Carltonville, and a gathering of shopstewards from across the region. Close on a thousand shopstewards packed the hall at Shaft 17, Crown Mines, to fire their questions at Nelson Mandela, Jay Naidoo, Tokyo Sexwale, Charles Ngqakula, Susan Shabangu and others. Some questions were:

- The workers have been liberated by COSATU. Now Jay Naidoo has moved to the ANC. What will be the relation between the ANC and COSATU after 27 April?
- How will the ANC handle the issue of starvation wages?
- What is the ANC position on nationalisation?
- Will the ANC guarantee an 8 hour working day?
- Has the ANC agreed to wage restraint in

negotiations with the IMF?

- Will the ANC send police to arrest workers who are striking for a living wage?
- How will a government of national unity be able to implement the Reconstruction and Development Programme?
- Will the ANC government screen top white officials in the civil service, and replace them with blacks if they are found to be unqualified?
- Will the ANC establish an Equal Opportunities Commission to redress imbalances caused by apartheid?
- Will the poor man who has devoted his life to the ANC struggle, but who has no education have an opportunity to get training?
- Many workers have been unfairly dismissed from companies - will the new government charge those employers as criminals?

Continued on page 8

Lengthy wage strikes

There have been a spate of strikes over the first two months of the year, in the health, chemical, paper, textile and mining sectors.

Incredible bungling by the Transvaal Provincial Administration (TPA) sparked a series of strikes in hospitals in the Transvaal, which later spread to the Eastern Cape. The strike started after the TPA awarded R500 each to Baragwanath nurses 'for working under difficult conditions' during last year's hospital strikes. Scabs employed during the strike also demanded – and got – the R500 bonus.

In January NEHAWU members at Baragwanath went on strike, demanding that they also be paid. The strike spread.

Vusi Nhlapo, president of NEHAWU, says the union did not call for the strike. "We warned the TPA before it paid the nurses that it was making a terrible mistake".

Nhlapo says the union's only intervention was to negotiate for skeleton staff to maintain essential services in ICUs and children's wards.

The union and the TPA have referred the issue to arbitration.

Most of the strikes have centred on wage demands, and reveal deep conflict over the way management is responding to increasing competitive pressures. Strikes have been long, many lasting three weeks or more. **At Carlton Paper** about 1 000 PPWAWU members downed tools in five plants on the East Rand, PE and Cape Town in response to the company's attempt to combine a low basic wage increase with a profit-sharing component, as exists in the gold mining industry. Negotiations deadlocked with a union demand for 14%, against a company offer of 5% plus profit sharing. Carlton MD, Keith Partridge has expressed the view that worker participation could render unions redundant. The strike started on 1 February, and three weeks later was continuing.

One thousand CWIU members at **three Unilever companies** in Durban downed tools on 31 January. The union was demanding a R55 per week increase or 13%, whichever was greater, and management was offering 6-8%. There is no centralised bargaining in Unilever, although this has long been a union demand. Despite revised management offers and union demands, three weeks later the strike continues. A three-week wage strike at **three Johnson and Johnson plants** also continues. The

Continued from page 7

Unlike the ANC representatives at the Alrode forum, the leadership at Shaft 17 sought to explain that it would take time to right apartheid's wrongs. As Susan Shabangu said "It will not be an easy road". Kgosisile Baleka warned that the ANC could not be "reckless" in changing the public sector. Jay Naidoo stressed that the ANC government could not be a magician - people would still have to struggle. An ANC government would expand workers organisational and bargaining rights.

Mandela summed up by saying that the "enthusiasm and clear thinking I have witnessed here shows that the

people have already taken over the affairs of the country." It is inspiring to feel the connection between this youthful old man, sparkling and warm, who has struggled so resolutely and for so long, and the workers who fill the hall, who have struggled for so long too, and have endured so much. Now they are talking together about liberation and democracy.

Mandela advised them: "The ANC has worked with the trade unions right through, and we thank you for your solidarity. The first thing necessary for solidarity is to strengthen your own organisation - so you can defend democracy." ☆
(Karl von Holdt)

400 striking members of CWIU are demanding 13,5%, against management's offer of 9%.

Four hundred SACTWU members were locked out of **Crossley Carpet Manufacturers** in Durban at the beginning of the year. The dispute arose when management refused to guarantee a wage increase, and said various bonuses and allowances should be terminated. The strike was settled. SACTWU members have also engaged in wage

strikes at **SBH cotton mills**, **Netted curtain factory** and **SA Nylon Spinners**, all in Cape Town.

The NUM has staged wage strikes at Foskor (900 workers, settled after more than three weeks), Kinross and Primrose Mine. Its campaign to organise **Goldfields Mines** is gathering steam.

Twenty four thousand **public servants in Venda** have staged stoppages for three weeks, over demands that senior civil servants pay

back huge pension payouts. Strikes have recently hit the **Boputhatswana civil service** over demands that pensions be paid out, for fear that the money will be lost if the bantustan is reincorporated.

POPCRU has been recognised by the police. This will enable it to organise and negotiate for its members, and is bound to boost membership. ☆
(Zolile Mtshelwane and Karl von Holdt)

SARHWU gains white members

The South African Railways and Harbours Workers Union (SARHWU) boosted its membership when 700 white flight attendants from the SA Airways joined the union last month.

Flight attendants initially belonged to the SAA Engineering Association (SAAEA). The association, which was meant for engineers, never catered nor defended the interests of flight attendants. Last August the association split and the Independent Cabin Crew of SA (ICUSA) was formed.

ICUSA tried to organise cabin crew workers, but could not take off. The SAA management used the space that was there and restructured the industry unilaterally. Management:



- lowered grades
- employed contract workers
- increased flying hours
- demanded greater productivity.

Union member Johann Ronnebeck says the changes worsened their working conditions. "Management introduced a police type evaluation. We felt insecure at work. This is what made us fight back."

Lynnette Hugo, member of the ANC, says workers looked for a union that was going to fight and not submit to managements unilateral restructuring. "SARHWU became the

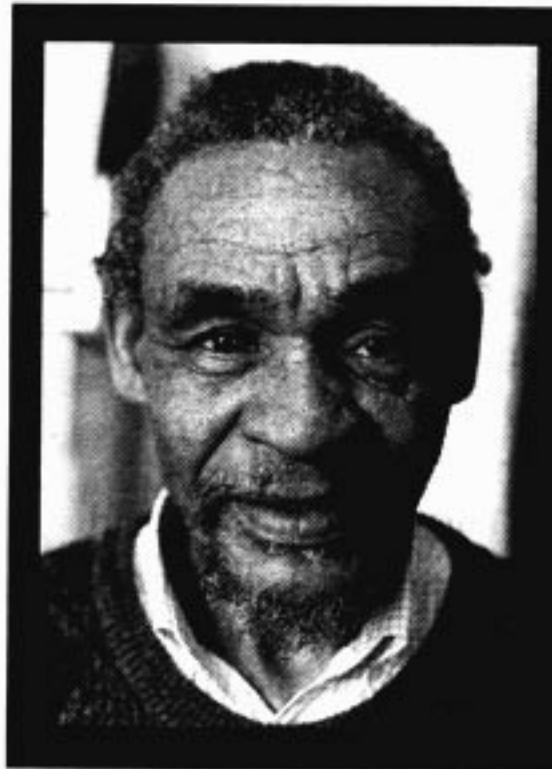
alternative union. These days one cannot stay without belonging to a strong union. It is no longer a question of colour, it is who is going to defend your job."

SARHWU moved in and started to organise. In no time, seven hundred workers signed the joining forms.

Ronnebeck and Hugo said that they are not afraid of a racial backlash. "Initially we thought that we were going to get a rebuff from our white colleagues, but it did not happen. Workers come to us everyday saying that they want to join SARHWU. They are aware that it is a black dominated union affiliated to COSATU. What they want is a militant union that will defend their interests." ☆
(Snuki Zikalala)

Obituary

Elijah Barayi *'A man I will never forget'*



By JAMES MOTLATSI,
NUM President

"Our Comrade Elijay Barayi has a special place in the affection of the National Union of Mineworkers. He helped to form it, organise and administer it and give it political direction. He threw himself into the task of organising workers who had always been regarded as unorganisable. There were testing times which revealed the best and the worst in each of us. With Barayi the best was very good and the worst was tolerable.

He was a loyal Comrade, an honest Comrade, a trustworthy Comrade. He was our Comrade. We would criticise him, but no one else could.

He and I learned our trade unionism together. When I first met him on 3 December 1982, the day before the opening of the inaugural Congress of the Union, we were both

novices. He had read a newspaper report that Cyril Ramaphosa was trying to form a union of mineworkers so he set about organising a branch at the Blyvooruitzicht Gold Mine where he worked as a personnel assistant. At the Congress he was unknown but he quickly asserted himself through his fine powers of oratory and was elected Vice President of the Union - a position he held until his death. It was not long before he moved from being novice to expert.

I saw him in many roles during the 12 years we worked together. He was a good communicator and skilled at explaining issued to ordinary mineworkers. I saw him at his best at Kloof and Vaal Reefs on successive days in September 1984, when we had our first official strike. He had to explain an almost incomprehensible offer from the Chamber of Mines.

He was fearless in the face of danger and took many

risks, sometimes with his life. It did not matter whether it came from the police, as when he intervened to stop them using rubber bullets and tear gas at East Driefontein in 1985, or from hostile workers, as when he moved between groups of heavily armed mineworkers at Vaal Reefs in 1985 and Western Deep Levels in 1986 in order to stop faction fighting. When he intervened in a dispute at Klerksdorp on 17 June 1987 the police assaulted him and broke his arm.

It is odd now some things remain in your memory. I remember the incident at East Driefontein, not because of the violence, but because of a long walk in the rain. The police ordered our driver to leave so that quite late at night and in very heavy rain we had to walk 15km before we could get to a place of safety.

But Barayi was equally at home in difficult negotiations. He played a prominent part in the unity talks at Soweto in June 1985 when they threatened to break down over the question as to whether we ought to follow the principle of non racialism or anti-racism. He was for non-racialism and his argument won the day. Then, the same year, Barayi led an NUM walkout at the Unity talks meeting at Wilgespruit over whether all the unions, despite their size and financial contributions, should have equal representation or not. On that occasion, as on most others, he was on the winning side.

Obituary

Barayi's role in the formation of COSATU ensured that he would play a leading part in it. He became President on 2 December 1985 and helped to steer it through the difficult years before the ANC and the SACP were unbanned. There is a tendency nowadays to forget those difficult and eventful years. Being a trade union leader then, was like walking a tightrope over a prison yard. One little mistake and you were in prison. Barayi was an expert tightrope walker. He ceased to be President of COSATU in 1991. By then the political situation had changed and new people had arisen. He had done his job.

Barayi had lots of humility. It is a quality that is rather scarce amongst leaders.

He drank with our members, joined in their festivities, talked their language. He was an exaggerated version of an ordinary person. But when you put him on a rostrum he was transformed. He gripped his audience and swung them to his way of thinking. Sometimes he got carried away by his own exuberance and went well beyond his brief, imposing ultimatums or making demands he had not discussed beforehand. But that was a small price to pay for his magnificent oratorical performances.

We saw less of him in head office as he approached retirement. You needed lots of energy to live the life of an

active union leader and to hold down a job in the mine at the same time. It exhausted him and shortened his life. He sacrificed himself for the union and the Liberation struggle.

Comrade Barayi, the Union is going to miss you, the Movement is going to miss you and I am going to miss you. You have served us well in effort, solidarity and friendship. We are sorry that you will not be here to cast your vote, for that is what you have been striving for all these years. I am sorry, too, that you will not be able to make your voice heard in the new democratic Parliament. As it is, you will remain in our memories. Long live the Militant Spirit of our fallen Comrade!!! Sleep well Comrade Barayi!!!" ☆

Photo: Associated Press



Photographer Abdul Shariff was shot and killed in Katlehong during a 'visit for peace' by the ANC on January 9 this year. We at Umanyano worked with Shariff for almost three years. In that time, he took a lot of

pictures of South African workers, sometimes in the workplace, other times on strike or marching through the streets in the struggle for a better deal.

Shariff loved his work and that is why he went into the danger zones of our suffering society to record what was happening there. That love ended his life, but before it did, it gave him a reason to live. He now lives on in the pages of the Labour Bulletin and The Shopsteward and in other publications.

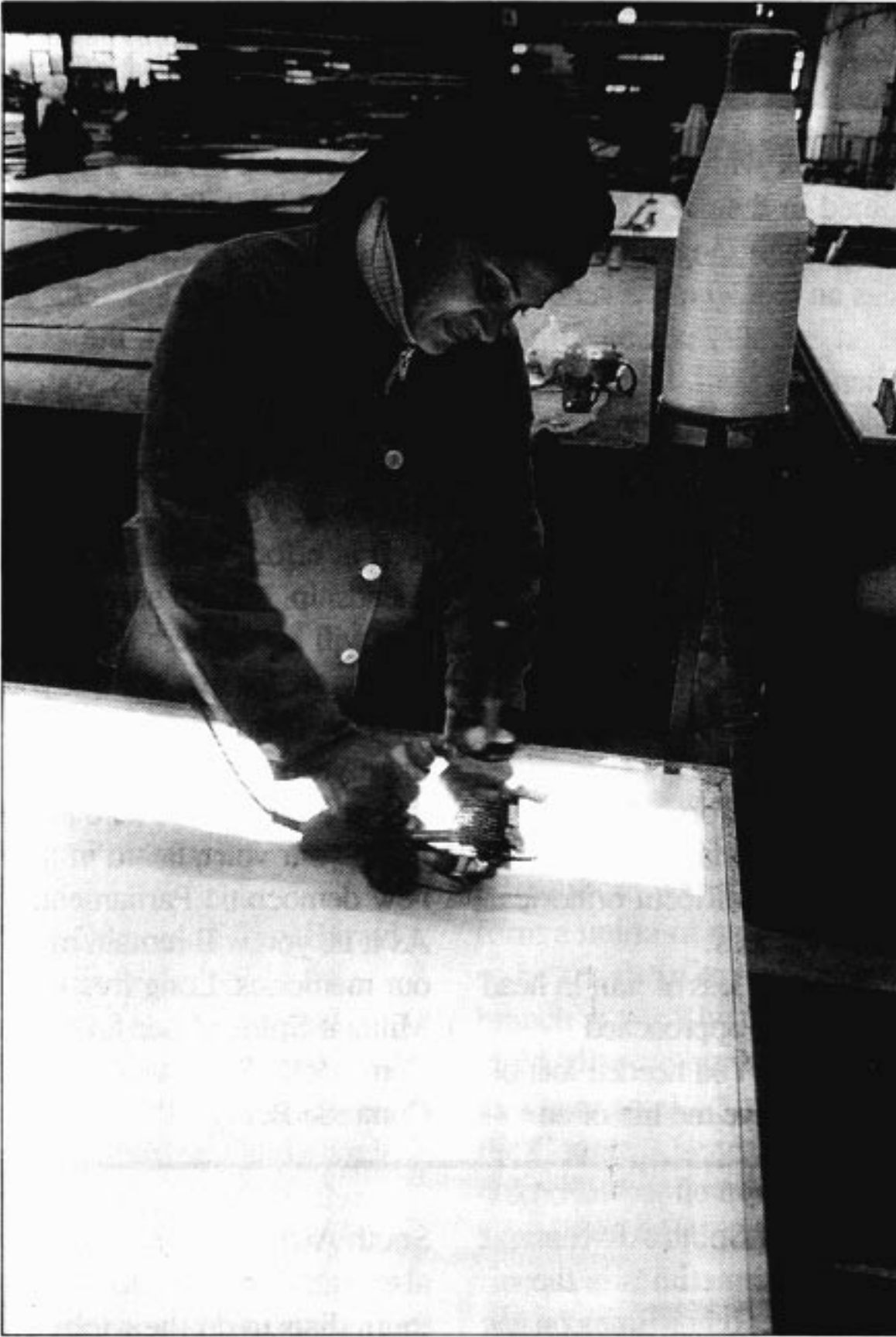
We have been fighting for our rights as workers and for political rights for all

South Africans. We must also fight for the right of journalists to do their jobs without threat of violence, just as much as we have to fight for the right of all people to live their lives in peace.

Shariff has joined the thousands killed by the violence of our society. He was almost part of the new South Africa. We have lost a compatriot, another victim added to the list which gets bigger every day.

The killing must stop. Peace cannot come soon enough. Hamba kahle, Shariff. ☆

Photo: Paul Weinberg



Co-determination vs co-option *PPWAWU and PG Bison* *negotiate restructuring*

Worker participation at PG Bison collapses. Management proposes retrenchment. The union embarks on a research project. Union and company negotiate redundancies and restructuring. LAEL BETHLEHEM, SAKHELA BUHLUNGU, OWEN CRANKSHAW and CAROLINE WHITE report.

In June 1993, the Paper, Printing, Wood and Allied Workers' Union (PPWAWU) requested SWOP's assistance in responding to a restructuring initiative at PG Bison, a company where it organises. PG Bison had proposed a restructuring process involving the loss of up to 1 000 jobs over three years – or 25% of the company's workforce. Management's rationale for the exercise was a need for 'global competitiveness' and to restore falling profit rates.

For years, PG Bison, a leading manufacturer and distributor of particle board and related wood products, was seen as taking the lead in building "a kind of partnership [with its workers]...that may well be the way forward" (Evans, *SA Labour Bulletin Vol 16 No 3*). The restructuring experience must be seen in this context.

In 1987, in an attempt to address shopfloor conflict and raise productivity, PG Bison adopted an overall strategy which it called 'Total Productivity and Quality' (TPQ). Over the next four years, the process went through a number of phases, the most crucial being the 'sensitisation' stage. This consisted of 'value sharing' workshops at the shopfloor level. In addition, management created a national shopstewards' committee where management and shopstewards could address sources of shopfloor conflict and try to build trust between management and workers.

PPWAWU was unable to present a united response to PG Bison's new strategy. Some workers and shopstewards supported TPQ, seeing it as a sincere attempt to improve their lives. However, many other workers, shopstewards, union officials and the national executive committee were deeply suspicious and even opposed to what they saw as a 'co-optive' management strategy. They felt that the national shopstewards' committee was a consultative structure with no mandate or powers to negotiate. At the 1990 conference, the latter position carried the day and the union decided to suspend its involvement until the process had been negotiated with a "properly constituted committee of shopstewards and officials".

In 1991, PPWAWU resumed its involvement in the TPQ process on much more favourable terms than before. The National Forum, where shopstewards and officials met with management, now had negotiating powers and clearer lines of accountability. It was at the first National Negotiating Forum, in 1991, that unions (PPWAWU is the majority union, but NUMSA, SACCAWU and UWUSA also have members at the company) and management agreed on a new vision for the company. This included a key commitment from management: "PG BISON differentiates between retrenchment and redundancy. Redundancy refers to permanent shifts in employment levels due to irreversible shifts in markets, products or technology.

"PG BISON does not use retrenchments as a way to manage economic downturns. We all share in the success and difficulties of our company, such as company-wide pay cuts, rather than retrenchment."

The forum also adopted a management proposal for a strategy to devolve certain decisions affecting productivity to the person or people actually doing the job. This relied on a teamwork model called 'In-a-Groups'. Each person in production was designated to one or more 'In-a-Groups', depending on their task and its relation to other tasks. Elements of TPQ and their relation to one another were presented in the form of a 'Continuous Improvement Model' and included participatory processes, improved communication, internal leadership, a literacy and internal training programme, corporate social responsibility efforts, creative structures and common values, all of which would contribute to improved performance.

The adoption of the plans for a

NOTE: The Sociology of Work Unit (SWOP) is a research unit in the Sociology Department at the University of the Witwatersrand. SWOP is researching the changing nature of workplace relations in South Africa. This has involved working with and consulting the trade union movement, particularly COSATU.

participatory management style inspired a trade union official to say:

“What we have done here is not small. It is very big. We are makers of history of the new South Africa. This is not easy. There are no set rules, no precedents to follow. We are pioneers of the new industrial order in South Africa” (E Masinga cited in Evans).

However, this enthusiasm was not shared by all trade union members and officials. Debates raged and many members on the shopfloor expressed serious dissatisfaction with the lack of progress in implementing agreements. Consequently, the union’s involvement in PG Bison’s participatory processes wavered. An attitude survey commissioned by the National Forum towards the end of 1992 highlighted a number of areas of dissatisfaction including racism, lack of equal treatment and resistance to the changes by some management representatives. A major blow for TPQ came in October 1992, when PG Bison workers in Piet Retief boycotted the National Forum and suspended their participation in TPQ processes. At the end of 1992, the forum virtually ceased to function when shopsteward delegates nationally suspended their involvement.

Management, too, was divided over TPQ, with senior national-level managers sometimes clashing with middle and line management who were resistant to change. Senior management now acknowledges that the brave hopes for many innovative agreements have not been fulfilled, particularly in the area of productivity and the devolution of decision-making. On the whole, ‘In-a-Groups’ do not meet as they should nor do they deal with matters as intended. Several of the most important components of the Continuous Improvement Model have never been put in place. There are few remaining worker participation processes, and the literacy programme has so far had limited success.

The decision to restructure

It was against this background that PG Bison decided, in early 1993, to fundamentally restructure its operations. According to management, a number of factors led to this

decision.

- ❑ The domestic market had declined in absolute terms, due to the recession’s effects on demand for housing and furniture. PG Bison sales volumes had therefore dropped.
- ❑ Increasing market share was being taken up by imports. Particle board, in particular, was being imported at prices lower than the domestic price, despite tariff protection. Management also expected tariff barriers to be lowered and feared flooding of the domestic market with cheaper imports.
- ❑ The above factors contributed to a steadily declining profit rate which was of concern to shareholders.
- ❑ Finally, it was recognised that the objectives agreed upon at the National Forum, including increased productivity through participation, were not being achieved. Top management felt this was partly due to an inability to impress their vision upon the relatively autonomous management of the company’s separate divisions.

In August 1992, a small management ‘task team’ began to develop a comprehensive strategic plan “to determine the company’s overall direction into the 21st century”. To achieve this, the company brought in international management consultants who facilitated the development of an overall vision for the company.

The consultants proposed a restructuring process that comprised three main elements:

- ❑ Re-organising the three different companies into a single unit with different line functions. This centralisation would make some jobs redundant.
- ❑ Raising the organisation’s efficiency, so that, in the long term, it could compete globally. This rise in labour productivity would lead to some job losses. The plan was also to reduce what it saw as overstaffing in certain areas.
- ❑ Concentrating the company’s efforts on its core functions and sub-contracting non-core functions. This would also lead to redundancy within the company.

This overall strategy, it was envisaged, would

make up to 1 000 jobs redundant (25% of the company's workforce) over three years.

Negotiating the restructuring

Coincidental with this planning phase of the restructuring process, PPWAWU began a general campaign to oppose unilateral restructuring by employers. The union sent a memorandum to all employers where it is organised, demanding, *inter alia*, "an end to retrenchments and unilateral restructuring". PG Bison responded immediately by inviting PPWAWU to a general discussion about the possible restructuring of the company. By this time, top management had already decided that major restructuring was desirable, but not what form it should take. PPWAWU failed to respond to this initiative, and to two subsequent letters from the company. It only responded when the company wrote to the union proposing a significant number of redundancies within PPWAWU's bargaining unit. The union then asked for details of the redundancies and stated its intention to oppose them.

Later, the PPWAWU leadership acknowledged that their delaying tactics had been a mistake:

"We realised that we had allowed PG to develop their plan without us, so now we were faced with negotiating. We regretted not being involved from the beginning as we may have been able to prevent any redundancy whatever. However, our non-inclusion was not the company's fault."

Eventually a Restructuring Negotiation Forum was held at the end of May. It included PG Bison management and delegates from PPWAWU, NUMSA and UWUSA, from all the plants and divisions around the country. PPWAWU went into this meeting with no concrete plan regarding restructuring except that they would oppose the redundancies. However, during a caucus meeting, union delegates decided that they would demand an investigation into the restructuring by independent researchers, to be paid for by management. This was more a delaying tactic than a demand they expected would be met. However, on the last day of the Forum,

management, PPWAWU and UWUSA signed an agreement for research to be carried out into market trends in the industry, the company's financial situation and ways of avoiding job losses. The company agreed to a temporary moratorium on redundancies among union members and also to "sponsor reasonable costs of the research/investigation".

PPWAWU has no research capacity of its own and, since they had a relationship with SWOP, they approached the Unit to conduct research into the proposed redundancies.

The processes that followed and the final settlement broke new ground and were to be a learning experience, not only for PPWAWU and PG Bison management, but for all companies and the entire trade union movement. For the union, the experience opened up greater opportunities for participation than under the TPQ strategy.

The research process

During June and July, SWOP researchers conducted interviews with shopstewards, workers and management in each of the four particle board (chipboard) factories, in three of the major distribution centres and at the company head office. This was to establish which jobs were earmarked for redundancies and on what basis management had chosen those particular jobs. The second purpose was to find out from shopstewards and the workforce about possible alternatives to the redundancies. Management and shopstewards made every effort to give the researchers the information they required. For management, this meant opening their books on all aspects of production and employment. For shopstewards, it meant convening discussion groups with workers.

In addition to SWOP's research, a manufacturing and operations consultancy and a firm of chartered accountants were engaged to provide specialist input. Consultants Faull and van der Riet were asked to provide an operational audit of the Stellenbosch chipboard factory. This was to establish whether there was the technical possibility of increased productivity without implementing the proposed redundancies. Chartered

accountants Douglas and Velcich conducted an accounting analysis of PG Bison to verify management's claims of declining profits and to establish exactly what the savings of the proposed redundancies would be for PG Bison.

A significant aspect of the research was the ongoing interaction with workers during the interviews and ongoing consultation with shopstewards and union officials at both local and national levels. At national level, PPWAWU elected a National Co-ordinating Committee comprising PG Bison shopstewards and union officials. This committee was responsible for overseeing the research process, facilitating access at the various plants, and dealing with any problems. The researchers were required to present interim reports and the final report to this committee. These processes ensured that the researchers were, at all times, sensitive to the union's needs while at the same time maintaining their independence.

Research findings

SWOP's research confirmed some of management's own findings and challenged others. Firstly, an analysis of sales figures and profit rates confirmed that profit rates were declining steadily. In the light of this, management's proposal to cut back on their retailing operations was considered a reasonable measure, provided that management could prove that certain outlets were fundamentally unprofitable. Associated job redundancies were not contested.

Secondly, the research confirmed that the market for wood veneer products is in long-term decline, mostly because of the increased popularity of the cheaper melamine and formica surfaces. It was therefore accepted that PG Bison would withdraw completely from wood veneer production and close down its three wood veneer preparation departments. It was recommended, however, that workers made redundant in the process be transferred, where possible, to companies producing alternative products.

Thirdly, there was no evidence to support PPWAWU's fear that management had

targeted unskilled and semi-skilled jobs for redundancy. An analysis of management's proposals indicated that the grade distribution of jobs targeted for redundancy covered all levels, from management to the shopfloor.

The research did, however, raise serious doubts about other aspects of management's redundancy proposals:

- that the labour force in the pressing, finishing, despatch and warehousing departments in one of the factories could continue doing the same amount of work with only half the workforce (41 jobs affected);
- that the company respond to lower absentee rates in one of its factories by making some of the jobs redundant (7 jobs affected);
- that the building maintenance and security functions be sub-contracted out to specialist firms on the basis that they would be more efficient (63 jobs affected).

The research also went beyond proposals on specific redundancies and made a number of general points about the running of the company: Even if the company carried out all the proposed redundancies, the saving would only amount to 0,9% of its annual turnover. Labour costs account for only 15% of variable production costs. The SWOP research concluded that these points indicate the need to shift away from an exclusive focus on labour costs, and look at improving efficiency and broadening markets. This conclusion was strengthened by the findings of Faull and van der Riet at the Stellenbosch factory.

In addition, the research pointed out that workers were unwilling to agree to redundancies in a context where:

- in certain factories, management employed significant numbers of casuals on a long-term basis,
- there were excessive levels of management, and excessive numbers of supervisors (in some plants there was one supervisor or foremen for every eight workers),
- there was widespread confusion over the grading system. Workers performing the



Photo: Shariff

Participation collapsed: PG Bison 'In-a-group' meeting, 1992

- same jobs at the same factory and in different factories were on different grades and therefore paid different wages,
- ❑ grading problems were compounded by racial discrimination in promotion and therefore in the allocation of grades,
 - ❑ the company suffered from inadequate training, which affected efficiency, worker motivation and workers' prospects for upward mobility,
 - ❑ the participatory structures which had been put into place as part of the TPQ process had mostly collapsed.

The agreement

The company agreed

- ❑ to retain the security and building maintenance under its own management, rather than sub-contract (58 redundancies avoided).
- ❑ The proposed closure of certain Timber City outlets be reconsidered pending the outcome of an in-house investigation (105 redundancies reconsidered).
- ❑ Where staff cuts were proposed due to what management saw as overstaffing, the correct staffing levels would be determined by mutually agreed consultants (89

redundancies reconsidered).

- ❑ Casual jobs would be converted into permanent jobs and this would be used to offset job loss.
- ❑ The remaining 215 proposed redundancies were not disputed by the union, and a favourable retrenchment package was negotiated for the affected workers.
- ❑ Management agreed that no further redundancies would be considered without a joint investigation by the company and the union.
- ❑ The company and the union would jointly evaluate the company's grading system, and review current job descriptions,

To address the efficiency problems identified in the course of the research, the company and the union would jointly embark on a process of 're-engineering' of production.

Senior management and the union would work together to eradicate racist practices.

Distinctive features

The redundancy process at PG Bison was distinctive in three ways. Firstly, the process was 'co-determined' in that both parties had sufficient power and information to influence



the nature and outcome of the process. The union's power stemmed not only from its strong organisation, but also from the opportunity to make its own assessment of management's proposals. What is new in the PG Bison case, is the involvement of a trade union in restructuring at company level. This precedent sets an example of union participation in restructuring and the handling of redundancies.

The second distinctive feature is the fact that both the union and the company departed from their traditional adversarial approaches to the issue of redundancy where the company asserts its prerogative to hire and fire and the union opposes job losses per se. In this case, the company agreed to limit its managerial prerogative in favour of a participatory approach. The union, in turn, tempered its blanket opposition to job loss by assessing the planned redundancies on their own merits

rather than simply calling for an end to retrenchments. In this way, the union demonstrated an ability to take account of the pressures faced by the company and to address the long-term needs of its members through demanding a role in ensuring the firm's viability.

Thirdly, the process involved full disclosure of company information. In the past, unions have tended to demand full financial disclosure when challenging retrenchments. In this case, PPWAWU demanded a much broader knowledge of the company's position and management's thinking. The union shifted the concept of consultation to include a qualitative assessment of the firm rather than a simple quantitative measure of its profitability.

Both the successes and limitations of this process offer important lessons to trade

unions, and management.

Lessons for management

The process demonstrated that management can benefit from a union assessment of the company's performance precisely because it offers a different perspective on the firm. There have been other managerial attempts to tap into workers' perceptions and suggestions, including work teams and quality circles. This process was more successful, however, because it was driven from the bottom and not the top, and because workers had a real interest in contributing to the process. In this way, management benefitted not only in avoiding industrial action, but also in creating the basis for future co-operation over certain issues.

The other important lesson for management is that a process of change in a company (be it participation, quality

improvement or re-orientation) cannot easily be driven by the head office alone. In PG Bison's case, previous management attempts at change and re-orientation were blocked, either by trade unions who had not been given a structured role in defining the nature of the change, or by plant and line managers who opposed worker participation. Restructuring is more likely to be successful if the union is fully involved from the outset and if co-operation from local management is secured.

Lessons for trade unions

The process implies that trade unions can benefit from in-depth research into companies, rather than relying on rhetoric or industrial action alone. This is not to imply that research can replace trade union's organisational and political strength. Indeed, it is largely on the basis of strong shopfloor organisation that unions will be able to force concessions over restructuring. But research and informed participation can complement traditional weapons in ways that many unions may not have considered.

Secondly, the process enabled PPWAWU and its members to make interventions about the way the company is run. This not only shaped the way the question of redundancy and restructuring was handled, it also allowed the union to intervene on longer-term issues such as training and grading. However, these interventions need not have waited for a redundancy crisis. PPWAWU could have approached the company with its own restructuring agenda, especially since it had already called on all companies to suspend unilateral restructuring. Such pro-active involvement would have also given the researchers and the union more time to undertake research and to develop recommendations. Following its success at PG Bison, the union could now make interventions at other companies, provided that it is sufficiently organised and prepared to do so. In this way, PPWAWU could extend the collective bargaining agenda and attempt to shape aspects of the companies where it organises. This could not be done successfully, however, without a determined

and systematic programme and sufficient research capacity.

The implications of the PG Bison experience for the debate on industrial democracy

In the years ahead, it is likely that South African manufacturing firms will increasingly be drawn into the global arena. If these firms are to survive and grow, they will need to compete with international companies. Trade unions and their members will be affected by this process. To compete more effectively, companies may follow a number of routes, including retrenchment, work re-organisation and investment in new technology. Any of these would impact on union members' working conditions.

Trade unions face a policy dilemma in this regard. Either they can leave restructuring to the employers, or they can play an active role in reshaping firms. The latter option would constitute a demand for some form of industrial democracy. Both options involve some dangers. Union participation in restructuring may blur the sharply oppositional relationship they have built with management. This may undermine the traditional ways in which unions organise. But if they remain aloof from restructuring, they will constantly be forced onto the defensive and find themselves fighting to preserve the status quo rather than building their own agenda for change.

The dilemma is not entirely new for trade unions generally or for PPWAWU. In 1992 two PPWAWU activists produced a discussion paper on participation while on a research fellowship at SWOP. In this they advocated an approach they called "adversarial participation":

"Engaging with participation schemes by extending our collective bargaining agenda would advance workers' control over the labour process, the labour market and investment decisions" (Ntshangase and Solomon, *SA Labour Bulletin Vol 17 No 4*).

The involvement of PPWAWU in restructuring at PG Bison appears to support their view. ☆



The Italian labour movement *'giving voice to new realities'*

BRUNO TRENTIN, General Secretary of the General Confederation of Italian Labour (CGIL) talks to KARL VON HOLDT about the growing diversity of the working class, new ways to build unity, the importance of plant-level bargaining and the political crisis in Italy.

You spoke a number of times at the meeting of CGIL, CUT (Brazil) and COSATU in September (see SA Labour Bulletin Vol 17 No 5), about a new form of trade unionism and new challenges facing trade unionism. Could you elaborate on this?

Trentin: We are facing a crisis of solidarity among the working class. This has objective and subjective causes. There is a growing differentiation, not only in incomes, but also in status, in skills, in ethnic and sexual composition of the working class. This is changing very rapidly in every country. At the same time, we are facing what I call the crisis of millennial ideologies, such as communism, which were a very strong weapon of unity. The prospect of a new society, to be won through struggle, was an instrument of cohesion, even when on an objective level the differences were growing. This kind of cohesion has collapsed in many countries. At the same time, chiefly among young people, but also in older generations of workers, there is a growing desire to realise now and here some concrete results – not only on economic questions, but also on political and moral ones.

The question is – around what goals can we now build a solidarity between workers, and avoid the contradictions that exist within the working class developing themselves into a sort of war among poor people? We have many examples, even in our country, of this danger. The answers are difficult.

For example, when we talk about the reduction of working hours, we are no longer able to unify the working class. The differences are so great. One person is trying to find a job or trying to defend his/her job at any cost, another will fight for reduction of his/her working hours as a way to improve working conditions, another one in the hope of maintaining his/her employment. There are many diversities, even when you find people interested in one goal.

There is no sense in a country like Italy to say we'll fight for a general increase of 10% in wages. The realities are so different. For

one, 10% is good, for another one the question is not 10% but to have more power over decision-making in the factory. You can no longer unify the working class on those traditional lines.

The working class is also divided by legislation, by corruption, clientilism and so on. We have very different status and rights among the working class, which creates enormous inequalities, much greater than the difference in income. For instance, when facing unemployment, people in the big factories are often able to obtain early pensions, if they are fired when they are 40-45 years old.

In other factories, workers who lose their jobs are entitled by law to 80% of their wages for three years. In the little factories, you get nothing. Among the state employers there are different systems of pensions again.

Women's rights are very different in different sectors. For disabled people, there is confused legislation which allows a lot of abuses. We have millions of people getting disability pensions when they don't need it, while the people with real disabilities face enormous difficulties in finding work and have very little income. So we have to eliminate abused privilege, and to enforce the rights of specific groups. That's what we call solidarity on rights, which means a very articulated action of the trade unions, on incomes, working hours and working conditions.

But, to meet the new challenges, you have to change the union organisation. First of all, you have to give voice inside the union, to the different realities that exist in the society. We know that in Italy there are now a million-and-a-half immigrants from the South of the world, but very few are members of the trade unions. Women are 40% of the labour force, but in the unions there are few. Technicians are a small minority in the unions, but they are growing in their importance, not only quantitative but qualitative, in industry and society.

We try to give voice inside the union to those new realities of the working class movement, and respecting the real weight

they have now inside the union. Because, if we insist on one man, one vote, those different groups would just be marginalised. They would also consider the union as an enemy, or at least as a stranger.

That is why we are trying not only to organise but to give the immigrant workers the possibility of having committees at local and national level, to have a quota in the executive structures.

We have, in all locals, committees for people with disabilities, who elect a national committee and have a national leader. The women have their organisation and have the right to have a quota.

We try to organise in different ways unemployed young people. We organise the pensioners. We no longer organise all these different groups through a union structure, because they are not in the first instance a metalworker or a miner. The main problems they face are different, not as metalworkers or miners, but as unemployed, as immigrants, as disabled people. This involves the question of identity, so we organise them on a confederal basis.

We have a national union – but it is incorrect to call it that – it is a National Confederation of pensioners. We call them the ‘grey panters’. They discover a new youth, they are strongly organised. They are organising a sit-in of 200 000 pensioners in front of parliament to modify the law on pensions. We have two million pensioners organised in this confederation.

The question is, how can a union try to represent this very complex reality which is the working class now, and at the same time recognise the identity and sometimes the value that there is in certain diversities, without changing its organisational structure?

We are perhaps guided by the fact that we inherited from our past the peculiar local structure which we call the ‘chamber of labour’. The first body of our trade union movement was the local ‘chamber of labour’, where all kinds of workers from all industries were able to meet and organise generally, even organise strikes together.

Later we built national industrial unions at the beginning of this century. Now we reinforce this local structure, which is able to organise and co-ordinate the different unions – as well as the people who are not union members – and it is affiliated to the confederation as a local. That is the reason why the structure of our confederation is composed 50/50 by the local organisations and by the unions. The congress delegates are elected 50% by the congress of the ‘local chambers of labour’ and 50% by the national unions.

This question of the local structure and the weight it has in the federation, is very interesting. What is the benefit of that kind of structure on union and labour activity?

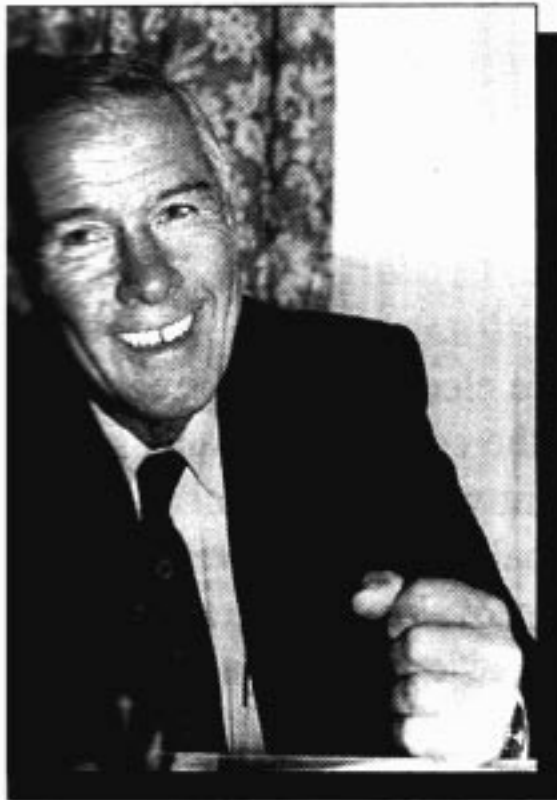
Trentin: Well, first of all there is a question of economy of resources. The unions in one local are very different. You can have very few textile people, a lot of metal workers and some farm workers. At the local level, different unions are unable to give the same services, legal assistance, assistance with tax, health and safety cases, etc. The local ‘chamber of labour’ centralises these services, which it gives to all workers affiliated to CGIL.

Secondly, there are issues of increasing importance at a local level that need to be negotiated, and supported also by action – the policies of the regional administration, municipal issues, health services and so on. This is a job for what we call a ‘horizontal organisation’, because the questions are the same for all workers in all unions, and should be taken up by a structure which is not a single union.

And then you have the necessity of co-ordinating in relation to the national goals that the confederation adopts. There is a danger at the local level, and also at the national level, of a fragmentation in strategy. So the ‘chamber of labour’, which has in its executive all the leaders of the different unions locally, has the function of co-ordinating action of the different unions at local level, and of ensuring respect for the general rules that the congress has

established. That is why, for instance, we have a very strong demand from the delegates of the 'chambers of labour' and the CGIL regional structures, for the CGIL National Committee to discuss the resolutions for the congresses of the various national unions.

They say, we want to discuss what the national union of the chemical industry, or the metal workers, is going to put in their resolutions, because we want coherence. For instance, there is now the opportunity for unions to bargain for supplementary pensions. This could weaken the national system of pensions and divide the poor from



the richest workers. The national unions do not feel very strongly there is danger, because each one has its own reality. But at a local level this is a central question. They insist that, if we have a strategy on supplementary pensions, all unions must

have the same strategy! They are against sectoral solutions. We want a national or regional solution, not a war between unions.

What is very interesting is the necessity of trying to cater for the diversity and the fragmentation within the working class, and the necessity of developing a common platform or programme.

Trentin: Yes – on new goals. The old ones, which were very important, have been overtaken by reality. The priorities in the people's heads have changed.

What is the significance of the newly-won right to bargain at plant level?

Trentin: In July last year, agreement was reached between the three main labour confederations, all the employers'

associations, and the government.

The agreement was very important because it recognised negotiations at the plant level and at company level, after a struggle of more than 30 years. At every renewal of agreements, employers try to destroy the plant or company level bargaining, because they find it more useful to centralise bargaining, and to have all the power in the place where things really change – in the workplace.

Restructuring happens in Italian factories every two or three years. The big battle really is this: the employer wants to be free to decide on technological innovation, on changing organisation of work, on employment, and be free to fire the workers when he wants. He doesn't want to have any kind of negotiation on these issues. For the employer, it is even more important than money, it is a question of principle, or a question of power. The employer is even prepared to pay for not having this kind of interference.

The importance of this agreement is that plant-level bargaining – which was roughly imposed through struggles in most industries in the past – has now been generalised – in the public administration, in agriculture, in commerce. We have won the right to have, every two years, a national contract to cover all shops, or all companies in the same sector, or to cover each different administration in the state (for example, the employees of the ministries, in the health service and in the local authorities). But, at the same time, between the two years of the contract, we have the right to negotiate the working conditions in the single municipality, in the single ministry, in the single shop, and in the single factory. The fact that this is generalised is completely new, because, at the same time, it established complete equality of rights between people in the public sector and people in the private sector.

This is how we try to face restructuring and its consequences. That is to say, acting at a national level, to give some guidelines to the industrial policy of the government. And, at the plant level, looking after working

conditions and the level of employment at the same time. The difficult thing is protecting jobs. Our experience is that always when we tried to just resist retrenchments, we had wonderful strikes at the beginning, but very rapidly we had to face very strong division among workers.

When a worker begins to understand that he or she will not be fired, he will, for solidarity, strike for some days, weeks or months for the man who is supposed to be fired. But at a certain point he just gives up. Sometimes a worker will act against the union struggle because his or her job begins to be in danger. We have to unite always for the defence of employment, but not rigidly. We say, "the fight for work, and not for the job". You have to combine this kind of action over jobs with action to improve the working conditions of the people who remain in the plant and who live with the transformation. So we demand new shifts, reductions of the number of hours, control of pace of production, discussion even of the organisation of work when we are able to do it. We also try to fight for team work.

You can only negotiate these issues at plant or company level, with the people elected from the shopfloor – naturally with the assistance, in the most important cases, of the national union, and on many occasions the local structures too. Why? Because the national union has to defend the national line in any single negotiation, and at the same time it is necessary to socialise the best experiences that we have. And that is often the role of the local structures.

For instance, Fiat is a very important company. When we negotiate an important issue at Fiat, we have the committee elected by the workers who represent the three unions affiliated to the three different national confederations. In addition to the workers' committee we have the national unions, and sometimes even the local 'chamber of labour', all discussing with the management.

I understand that the workplace committee is elected by the entire workforce, irrespective of which union

they belong to, or even whether they belong to a union. If this is so, what is the relation of the unions to those representatives?

Trentin: The representatives are elected by the general constituency, on lists presented by different forces: by the different unions affiliated to the three major confederations (CGIL, CSIL, UIL), by independent unions or a 'yellow union', or a group of workers in the plant can form a list without belonging to a union. The plant committee or company committee is then composed of the names from the different lists on the basis of proportional representation, according to the number of votes each list wins. This committee has the right to bargain. It is assisted by the national unions, but the final decision is made by the committee.

So that means that the representatives on the committee do not represent a particular departmental constituency?

Trentin: No, they are elected by the general membership. When the committee reaches any kind of agreement with management, it is obliged to hold a ballot of the entire workforce for the approval of the agreement. This is important, because we have a history of separate agreements with the different unions. In some cases, the fight against CGIL was very strong among the employers, and they reached agreements with minority unions just to smash CGIL.

Now this is impossible, because you have the support of the majority of workers through a ballot. The committee may be divided because you have different unions there. It is possible a majority says, well I am ready to have an agreement with the employer and if you don't agree you are the minority. A minority can do the same. But, in either case, they have to ballot the entire workforce for approval.

Turning now to the political and constitutional crisis in Italy. According to what we read, there's been a profound crisis of legitimacy politically, and it seems there's a kind of split in the electorate – the centre



Building international linkages: Trentin at the CUT (Brazil) – COSATU – CGIL seminar, September 1993

has disintegrated, and there is a growing strength on the left, but also on the right. What is your assessment of this crisis and the role that the labour movement is playing?

Trentin: Everything exploded when the first cases of big corruption were identified by the judges.

I would say that the whole system of parties is collapsing, but the unions may be able to survive this crisis if they radically change their approach to social questions. I mean that, even if the unions were not involved generally in the system of the government and in corruption cases, they have been involved in a particular form of government. The unions managed pension funds, they participated in the management of the health services, in the committees for employment at a local level. We are present even in the administration councils of theatres – in everything! This creates a value system mentally which is extremely dangerous for the union. Many times the union has to defend the interests of the

managers of the pension fund against the people who have to receive a pension!

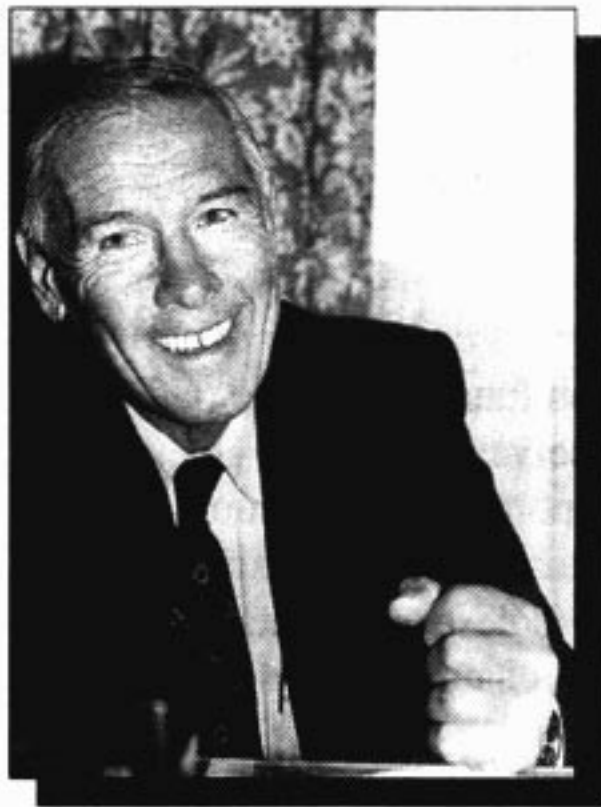
That is why it is important for the unions, if they want to save themselves from this little revolution which is destroying the credibility of parties, to change, really to decide to get out from all this kind of participation. The pension fund, for example, must have good managers, but we as unions should be outside the management and we should monitor and fight to obtain certain results, even in management. In the hospitals, the unions should take part in discussion about changing the way of working and fight to change the way of working, rather than being in the hospital administration.

The probability is that this change in the political geography of Italy will produce a polarisation of forces. The new Right is growing in the northern part of Italy, but also in other parts. The Right movement in the north says, we are the richer part of the country, we do not want to be involved with this corruption, this corruption is only to give

something to the poor region of the south. The poor region, the south, is identified with corruption and craziness.

This movement is growing, before as a separatist movement, now with the objective to obtain decentralisation of decisions and at the same time organise workers and employers into a corporatist structure – that is to say employers and workers unite against the bureaucratic state, against unionism, against political parties. This is a real danger, because we find a cultural influence of this new Right even among our rank and file.

The big question is how to realise the constitutional changes. We need to have a change in the functioning of parliament. We



need to have laws approved in six months, and not in four years as it is now. We need to have a reform of public administration. More than a constitutional change towards federalism, we need to give substance to the decentralisation of the regions.

The regions

already have parliaments and little governments, but they have no real power because the fiscal and tax system is centralised. And we need what I call an institutional reform of civil society – new rules in the government of the welfare state, decentralisation, a system of control, the right of appeal against administrative decision, the right to know. We have obtained a very little law but it is the first conquest: a citizen has the right, after two days without response, to enter the office of the administration and to find his file and look why his request was refused. This is the right to see, to make transparent the decision-making in the public administration.

We are trying to contribute to the constitutional reform by putting proposals to the parliamentary commissions, by meetings, marches and discussions with the political parties. We always have discussion with all parties except the fascists. Naturally, agreement is easier to find with the parties of the Left, but we want to maintain the position of independence, so we meet with the different parties. We explain our position, ask for answers, try to form a 'transparency lobby'.

With the polarisation to Left and Right, the possibility that the Democratic Party of the Left, which is the son of the Communist Party, will be the majority party is a real one. We will have the national elections in April, at the same time as your country.

We will present programmes at a local and national level. We will ask all the parties, except the Right, to respond. We say we are ready to support any candidate who is bound to the trade union programme.

There is a danger that, in the social consciousness, there will be a split between the different realities of the country, that the national unity will transform itself into national division. Many times, when workers strike to maintain their jobs in one factory in the south, people in the north, even our people, say we do not want to give any more of our assistance or our money, we do not want to pay taxes, because we know that this money will be utilised in corruption. They say the people of the south have to manage with their own problems, that's not our problem.

You cannot avoid this danger by defending the old state which tried to resolve the southern question with corruption at the end of it. So we have to make a proposal to change the state, but to show very concretely what the change means. And to recreate a national consciousness in the working class. That's a big challenge. The danger of racism is very strong now with this new Right. We have to build some important reserves on this front, with a very strong movement for immigrants' rights. ☆

The strike by security workers in Durban in December made break-throughs in this notoriously anti-union industry.

JANE BARRETT* reports

Security guards strike: *industrial council victory for TGWU*

A two and a half weeks strike of 3 500 security guards from over 50 companies in Durban went virtually unreported by the commercial press in late November/early December 1993. And this, not for lack of trying on the part of the worker's union, the Transport and General Workers Union (TGWU). The lack of interest displayed by the press is even more surprising given the remarkable concessions won by the workers as a result of the strike.

The security industry employs approximately 100 000 guards (or security officers, as workers in the industry are now referred to). No-one can provide accurate figures – not the Security Officers Board which registers guards, not the employers themselves, not the union, nor the Department of Manpower. This is on account of the transience of so many companies in the industry – the existence of hundreds of “fly by nighters” – and the high turnover amongst workers. TGWU has a membership of 15 000 signed up members in the industry. Membership on stop order is substantially lower, standing at around 6 000, and the union is recognised by only a handful of companies. In the main employers have been extremely hostile to the union, and have



employed every tactic in the book, both crude and sophisticated, to block recognition (see *SA Labour Bulletin Vol 17 No 6* ‘Showdown at Springbok Patrols’ for a typical example).

Conditions in the industry are governed by a Wage Determination. The current minimum wage in the highest paid areas, for a 60 hour week, is R690 per month. A high proportion of employers transgress the Wage Determination – particularly in relation to hours of work, overtime payments, Sunday pay, deductions for uniforms, and the minimum wage. Illegal practices has formed one of the focuses of a national campaign to organise the sectors conducted by TGWU for the past two years (see *SA Labour Bulletin Vol 17 No 6* “New Strategies to organise difficult sectors”). The campaign, given a higher profile by the union’s national conference in August 1993, has also focused on the demand for the scrapping of the Security Officers Board (which compels all guards to pay an annual registration fee) and for the establishment of an industrial council

* Jane Barrett was TGWU national organiser for the security sector at the time of the strike.

for the industry. The demand for a minimum wage of R1 500 for the industry was also adopted as a campaign focus by the August conference.

National day of action

Following the union's conference, the TGWU's national shopstewards' council for the security industry identified 15 November as a national day of action to focus on the four core demands. It was envisaged that the day of action might roll into a national strike, depending on its success. A letter of demand was sent to the employers association for the industry, SANSEA, requesting a meeting to discuss the four issues. SANSEA, however, responded by stating they would only be prepared to talk to the union after it had proven national representivity in the industry. The response came as no surprise to the union. Neither did the industry's ongoing efforts at frustrating the union at company level.

As 15 November drew closer, so the same day was marked down by COSATU as the day for national action against the lockout clause in the Constitution. With no time to convene a further national meeting to rediscuss the date for national action, branches of the union were encouraged to make their own local decisions about whether to use 16 November as the day for action, or whether to postpone further. As it happens of course, the COSATU national strike was called off, but that is another story. The recommendation to branches to make their own decisions was also coloured by the fact that not all branches appeared (on paper and by way of reports at least) to be ready for national action. In retrospect most people in the union agree that it was a mistake to release branches from a national decision and central plan of action. The shift to local decision making was to have implications for the strike which subsequently took place in Durban.

The first branch to take action after the aborted the 15 November plan was Southern Natal. On 23 November, 1 000 security officers in Durban marched in support of the

TGWU security and cleaning organiser Jane Barrett

four demands. They delivered a memorandum to the Department of Manpower. After delivering the memorandum, in a mass meeting, the guards resolved to go out on strike until the employers met their demands. By Monday 29 November there were at least 3 000 security officers in the greater Durban area out on strike, and meeting daily at Curries Fountain

Stadium. SANSEA refused to talk to the union, and individual companies threatened dismissal. But the guards were determined. "What have we got to lose?" was their refrain. Large numbers of previously unorganised workers swelled the ranks of the strikers.

By 3 December Coin Security, a large national company outside of the fold of SANSEA, had dismissed its 250 strong workforce, and had attempted to evict the largely Venda speaking workers from a hostel in central Durban. Five workers were injured when representatives of the company, supported by police, raided the hostel late one night. (The dismissal, evictions, and assaults are the subject of an ongoing legal action against the company.) However, the majority of the 57 companies whose workers were on strike delayed taking punitive action. Some employers, it seems, were lobbying behind the scenes to get SANSEA to talk to the union. It was made clear to employers that there would be no return to work on the basis of individual company concessions – industry talks were what was being demanded.

Occupation of Manpower

On 2 December the strikers devised a strategy





whereby they left the stadium in small groups, leading police who were keeping a close watch on them, to believe they were dispersing. In fact all the groups converged on the Department of Manpower. A delegation of shopstewards led the way into the Department's offices and before Department officials were aware of what was happening, the building was occupied. The strikers remained in the building for over an hour before negotiations with the police, who were threatening to evict them by force, led to the workers departing to gather outside and to delegate a group of leaders to meet with the Regional Director. As it happened, the Regional Director was on his first day in the job and was somewhat startled by the events of the day. He very quickly pledged his commitment to tightening up the "policing" of the industry. However, the problem remained that SANSEA was still refusing to meet with the union.

On 3 December, arrangements had been made for a legal march through the centre of Durban. In order to raise the profile of the march, the security officers decided to march in uniform. Two thousand marched in single file into the centre of Durban, where they

blocked off the traffic in West St and a few hundred did a "drill". Bystanders cheered enthusiastically, and some were overheard to proclaim the guards as the real Mkhonto we Sizwe!

Ten days into the strike the employers were still refusing to meet the union. By 3 December most companies had issued return to work ultimatums. The strikers, meeting daily at Curries Fountain, remained undeterred however. The first sign of concession on the part of employers came in the form of a written undertaking to meet with the union to discuss the demands after a return to work. This was received after the march of 3 December. Given SANSEA's track record of broken promises (the organisation had in 1991 reneged on an agreement to join discussions on the formation of an industrial council) workers were highly suspicious of the move, and decided not to budge.

The rejected offer was followed by the employers' first agreement to meet – "informally" to discuss "talks about talks" as they put it. In the meeting attended by four union representatives and four employer representatives, SANSEA repeated their previous offer. The offer was soundly rejected by workers at a mass report back meeting the following day.

Meanwhile Durban workers were trying to mobilise support for the extension of the strike to other areas. However, with three weeks to go before Christmas, workers in other areas were somewhat reluctant to take immediate action. Also the shortage of union resources was hampering the urgent need to hold a large national shopstewards' council meeting in which such a decision could be taken.

By the first week of December the strike had intensified. Reports of violence against scabs were coming in, and there were rumours of a number of deaths of on duty guards on the Durban stations. It was subsequently learnt through a management representative that these deaths – later confirmed – may have had to do with inter-company rivalry for contracts. The fact that

FEATURE

despite appeals by the union to companies to come forward with reports of deaths allegedly caused by striking workers none has done so, has fuelled this suspicion.

Employers crack: negotiation starts

On Wednesday 9 December SANSEA finally conceded to an official meeting with the union. Out of the twelve-a-side meeting came a commitment from the employers to make joint representations to the Minister of Manpower for an increase in the minimum wage by means of a Wage Order; to enter into discussions concerning the scrapping of the Security Officers Board; to take steps to put an end to illegal practices in the industry; and to enter into negotiations to form a national industrial council.

Clearly the threat of the extension of the strike nationally had been enough to convince employers of the need to make more concrete concessions than simply a commitment to further negotiation. A date was set for further negotiation on 14 December, pending a return to work on 10 December. SANSEA provided a commitment that they would recommend to their members that workers should not be disciplined on their return to work. The union vowed to take further strike action if dismissals ensued.

Thursday 9 December saw a report back to workers at Curries Fountain. The day proved inconclusive, with discussion continuing on 10 December. A one day extension of the return to work was granted by SANSEA. By the close of the 10th, after lengthy company by company caucuses, the assembled strikers had unanimously agreed to a return to work on Saturday 11 December. Many new union recruits were disappointed that the R1 500 for which they had gone on strike was not "in the pocket", but others saw the opening of negotiation for the first time as a major victory.

Agreement: IC, wages, ending illegal practices

A mass return to work took place as agreed on Saturday 11 December. A minority of

Photo: Natal Mercury



Police confront strikers

companies attempted to discipline groups of workers for intimidation, and a handful of dismissals took place. These were all successfully subsequently reversed by the union, bar the earlier mass dismissal of Coin workers.

A series of national negotiations followed the strike in late December and January. The outcome of the negotiations is the following:

- Agreement by SANSEA to seek an urgent mandate from its membership to negotiate a constitution for an industrial council. Negotiations for the constitution will commence in March.
- Agreement by both parties to submit proposals for an immediate increase to the Minister of Manpower. SANSEA, having initially offered to propose a 10% increase, subsequently





upped their proposal to 12%. This would take the minimum wage in the better paid areas to R707. The union has forwarded a proposal to the Minister for a minimum wage of R1 200. The union has also recommended that the minimum wages should apply to all employers – that is, that small and new employers should be exempt, as this has been thoroughly abused by some employers who have closed their businesses and re-opened under new names. The proposals were submitted in the third week of January.

The Minister has been requested to make a decision and pass a Wage Order effective from 1 March. A Wage Order, which is an interim measure between the publication of full Wage



Determinations, usually takes six weeks to pass through the processes of consideration by the Wage Board and comment by representative parties.

- ❑ Ongoing negotiation towards the scrapping of the Security Officers Board and the implementation of an industrial council as an alternative form of regulation for the industry. Whilst the SANSEA negotiators are now close to agreement with the union on this point, they have insisted on discussing the matter further with their membership.
- ❑ Agreement on the establishment of regionally based joint SANSEA/TGWU committees to deal with complaints about illegal practices – and joint liaison with the local Department of Manpower offices to effect prosecutions.
- ❑ Agreement on a process of negotiating a future industrial council agreement, with a particular emphasis on a change in the maximum hours of work from 60 hours per week to 48, and changes in an outdated grading system which operates as a thinly veiled justification for racial discrimination.

The strike and the subsequent negotiations with SANSEA have opened up the possibility of seriously redressing the abuses which have persisted in the industry for so many years. In the course of the strike TGWU recruited at least 2 000 new security members. The union has set itself the ambitious task of organising 40 000 security guard workers by June, to prevent any attempt to limit the scope of the proposed industrial council due to an inability to prove representivity in any one area of the country.

The agreement to negotiate an industrial council constitution is the second major victory achieved by TGWU in the area of centralised bargaining in the past year. In early 1993, after protracted negotiations, an industrial council for the cleaning industry in Natal was registered and the first agreement published. This too was achieved after a seven week strike of the cleaners throughout the province. ☆



Industrial councils: will they survive?

It looks as if employers are pulling back from the threat to collapse two major industrial councils – the Transvaal Building Industry IC and the Motor Industry IC. However, employer parties to both IC's are tabling demands to restructure collective bargaining in the IC's in the direction of flexibility.

Wynand Stapelberg, General Secretary of the Transvaal Building IC, told a recent seminar on ICs that the main problems experienced by employers are the high cost of maintaining the IC, and its "lack of flexibility". After the angry response from the unions when the employers threatened to pull out of the IC in late 1992, employers did a rethink, which included several study tours to Europe, Canada, Australia and

Asia. One of the main findings was that "bargaining does not have to be either centralised or plant level – different things can be bargained at different levels". The employers are due to table their proposal for a new approach to collective bargaining in April.

Meanwhile, the IC itself has improved its cost control and efficiency, and is about to launch its new industrial council court. This court is designed to ensure the speedy settlement of disputes by avoiding the long delays of the industrial court.

The IC for the Motor Industry has been unable to promulgate a new agreement since 1992, when negotiations deadlocked. Heine Maritz, deputy director of the Motor Employee Association, told the seminar – hosted by the Bilateralism Project at Wits Business School – that the "core issues" for employers are the closed shop provisions, the

Industrial Councils: *constraining or renewing industry?*

Report by KARL VON HOLDT

limited trading hours, and the rigid ratio clause, which specifies how many non-artisans may be employed for every artisan. However, though "rebel" employers wanted to walk away from the IC, "clear thinking employers" saw the need for it.

But, said Maritz, employers do want "new thinking" on ICs. They find the closed shop provision which lays down which union the various categories of workers may belong to, causes dissatisfaction among employees who want to change unions to get access to different benefits. The limited trading hours laid down by the main agreement prevents companies from offering the public a range of services. And the ratio clause drives up costs. In addition, according to Maritz, when employers or employees request exemption from various leave, bonus or overtime provisions, the IC proves to be slow and inflexible.

According to Maritz, agreement is close on easier exemptions for the closed shop and ratio clause, while only one union party is holding out for overtime rates on Saturday work.

While the views expressed by Stapelberg and Maritz indicate that significant groups of employers are rethinking their opposition to centralised bargaining and industrial councils, they point to some of the serious dilemmas that face these institutions. The problem is how to cater for the diversity that exists within many industrial sectors – how to provide minimum conditions and wages for workers in the smaller and often less profitable enterprises, while extending the gains of workers in bigger and higher paying enterprises; how to raise labour standards across industry without crushing new entrants and small businesses; and how to reach generalised, industry-wide agreements which allow the kind of flexibility that manufacturers and services need in order to survive in modern markets.

It is not impossible to reconcile centralised bargaining with the need for flexibility:

- ☐ flexibility of hours can be achieved by negotiating a national agreement of hours to be worked per four week cycle, for

example, rather than per week, leaving workers and managers to negotiate the distribution of hours over the four week cycle;

- ☐ flexibility of pay can be partially achieved by negotiating a national basic rate, and negotiating productivity or profit-related supplements at plant level;
- ☐ flexibility of tasks can be achieved through the kind of broad banding, multi-skilling and team-work proposals developed by NUMSA.

However, one suspects that this kind of flexible agreement is not enough to secure the future of industrial councils, or centralised bargaining more generally. If industrial councils are seen only as institutions which generate constraints which then have to be ameliorated by "flexibility clauses", the pressures for their collapse – or at least against their extension to the many sectors of the economy where they do not exist – will probably become irresistible.

If industrial councils are to survive they will have to develop a new vision in which they are seen as dynamic forums for the renewal of industry. They will have to generate and support industrial policy, facilitate new approaches to training, grading and work organisation, stimulate technological innovation and small business – in short, they will have to generate competitive *advantages* rather than competitive *disadvantages*.

Such a vision does not seem to be emerging from the employer associations or from the IC administrations. The only source for it currently seems to be COSATU-affiliated unions such as NUMSA and SACTWU. But whether they succeed in implementing such a vision will depend on whether they can persuade government and employers that this vision is viable. It will also depend on whether COSATU affiliates can avoid becoming reactive defenders of the narrow interests of their more organised members, and continue fighting for broader social interests. Very few labour movements in the world have succeeded in doing this – least of all previous participants in the ICs in SA. ☆

'Illegal' workseekers: urgent issue for labour



Pavement shoemaker, tailor: Ghanaian in Jo'burg

Report by ASHWIN DESAI

Illegal immigration into South Africa poses a severe threat to South African jobs. Yet South Africa cannot afford to simply send away people who came from countries – like those in southern Africa and India – that have provided steadfast support for its liberation struggle. Also many 'illegals' have laboured in South Africa for a lengthy period and have long cut themselves off from their countries of origin. It is a matter the union movement, which is at the cutting edge of this issue, needs to address with urgency.

Over the last few years South Africa has attracted an increasing number of illegal immigrants, forcing a concerted police crackdown. Between January 1992 and August 1993 police arrested and deported some 140 000 citizens of neighbouring countries.

Figures released by the Department of Home Affairs reveal that of those repatriated, 105 960 were from Mozambique, 19 307 from Zimbabwe and 9 149 from Lesotho. Police figures estimate that there are a million

illegal immigrants living on the Reef. The recent clampdown has therefore not had a significant impact.

A spokesman for the SAP Aliens Control Unit compared their efforts to "pouring water through a sieve".

Illegals from the Indian sub-continent represent the latest wave of immigrants.

A Sunday newspaper investigation earlier this year revealed that these Asian aliens were brought into the country by recruiting agencies in Pakistan and India. Potential workers were told that South African businesspersons were looking for non-unionised workers. The workseekers then paid a sum of between R1 200 and R2 400 to secure the necessary documentation. Although the workers were promised salaries of R2 000 per month they found out that their salaries actually ranged from R400 to R1 000.

These 'illegals' have begun to make their presence felt in the Durban city centre as street vendors and salespersons in Indian owned shops.

It has been claimed that many of the illegal entrants have received support from MPs in the House of Delegates (HOD).

An in-house investigation by the Department

of Home Affairs has produced startling information of officials involved in a scam to procure work permits for Indians and Pakistanis. A department official appeared in court in September 1993 in this regard.

Immigration control

In October this year the government announced more stringent selection criteria for prospective immigrants.

The new policies encourage immigration from wealthy Westerners and those with skills that are scarce in South Africa. Alongside this, labour migrants from Africa, many with long work histories in the country, are facing a clampdown. Illegal Asian and East European illegal immigrants have not faced any concerted clampdown.

Of the Africans, it is the Mozambicans who have borne the brunt of state policing. Yet they are the ones who most clearly qualify for refugee status. A 1951 international convention defined refugees as "persons who are outside their country because of a well-founded fear of persecution for reasons of race, religion, nationality, membership of a particular social group or political opinion." Social scientists Zucker and Zucker differentiate clearly between the three categories of immigrant, refugee and illegal.

"Both the immigrant and the illegal migrant are drawn to the country. The refugee is not drawn, but driven; he seeks not to better his life but to rebuild it, to gain some part of what he has lost. The immigrant and the migrant are propelled by hope; for the refugee whatever hope there may be must arise from the ruins of tragedy." (quoted in Cohen, 1991)

What of the future?

Cohen (1991) writes that in the 1970s: "Refugees from the crisis area of Africa, Asia and Latin America began to move in increasing numbers to the industrialised countries ... the arrival of many refugees from geographically and culturally distant areas constituted an unprecedented challenge to the legal machinery and conscience of the receiving country."

Similar challenges faces South Africa. With a civil engineer in Sierra Leone earning an equivalent of R75 a month and a medical doctor

from Ghana earning about R240 a month, South Africa is an extremely attractive option.

There have been strong protests from branches of the Union of Democratic Staff Associations (UDUSA) that universities are attracting black academics from outside South Africa as part of an affirmative action drive at the expense of training and promoting black South African academics.

Clearly South Africa's present policy is applied inconsistently and is almost exclusively targeted at 'illegals' from southern Africa.

The issues are complex and cannot be handled in a piecemeal and ad-hoc fashion.

One way out is to offer a six month period of immunity to all illegals that guarantees them work permits for five years and the possibility of citizenship. Alongside this we need to develop new policies to deal with genuine refugees and potential immigrants in the context of our unique position as the most industrialised centre in southern Africa and whose liberation struggle was supported at great cost by our neighbours.

While there may be an initial backlash to the immunity offer from a variety of interest groups it must be remembered that it gives *de jure* status to something that will remain *de facto* for sometime. This move will benefit the organising of workers. Legality will mean that the former illegals will feel more secure about joining unions, participating in collective worker action and so on. At the same time employers will not be able to keep them under constant threat. It will mean that 'illegals' cannot be used as union-busters or to cheapen the price of labour. At the same time it will recognise the sacrifices neighbouring countries have made to our liberation struggle, as well as the labour of migrants from these countries.

These are weighty matters that have serious implications for organised labour. It is an issue that trade unions cannot ignore. ☆

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Forward with the capitalist workers struggle?

Report by LIV TORRES*

The Zenzeleni clothing factory in Durban started as a collective ownership plan, where the SA Clothing and Textile Workers Union (SACTWU) owns and controls the company. Now, due to economic problems, it is considering individual ownership by selling shares to individual workers. Increased internationalisation and extensive changes in the structure of industry and ownership have created a need to explore new solutions to economic problems. Zenzeleni is one of many South African companies experimenting with new forms of ownership. The paradox is that unions are taking on a strategy usually promoted by business.

The rights of capital to control and profit is controversial. Opponents wanted to change the structure of ownership, rather than separate control and profits from ownership. The dream of socialists was to bring productive assets under some sort of public control. Nationalisation was the buzz-word. Then came co-ops. Collective ownership is supposed to nurture an improved working environment and collective values. Economic profitability was perceived as a side-effect of workers empowerment.

Then capital itself increasingly started to focus on the ownership structure, with the aim of economic adjustment and improved company performance. They perceived individual ownership as a means to increase workers efficiency by giving them risks and gains in the company. Individual ownership was an alternative pay-system where labour costs more closely would reflect the external market.

*Liv Torres works for the Norwegian Centre for Applied Social Science. This article is based on information supplied by Zenzeleni manager John Copelyn.

Zenzeleni started in 1989 after mass retrenchments at the Frame Group. Frame provided raw cash as part of the retrenchment agreement. This went, along with contributions from the international trade union movement and SACTWU, into a trust which provided start-up capital. The new co-op was not only to create jobs for retrenched workers. Workers, through a union-run company, would also learn business skills and exercise control over their job situation.

Zenzeleni started with around 300 workers, initially concentrating on T-shirts for the anti-apartheid market. Soon, big contracts for workwear for large mining companies dominated production and today constitutes about 90% of production.

Zenzeleni is run through a board of trustees elected from the union's national executive committee. The trustees appoint a board of directors and a general manager to run the factory. Six elected shopstewards represent workers and two shopstewards represent workers on the board.

Given past failures of similar co-ops, Zenzeleni is not organised as a typical co-op with collective decision-making and work structuring. On the contrary, production is organised – like a typical clothing company – around piece-work. Here each worker's performance is measured according to the number of pieces produced a day and participation in running the company is relatively low.

Zenzeleni struggled to survive and traded at a loss for a long time. The markets for political T-shirts and industrial clothing declined. Falling orders caused shutdowns during 1993. Zenzeleni – like other local companies – felt the pressure from highly competitive East Asian companies.

Furthermore, internal factors made it hard to increase efficiency. The company was overstaffed. Creating jobs was more important than assessing the project's economic viability. Zenzeleni workers came from the textile sector and did not know the clothing sector with its delicate handling of fine fabrics. Training and development has been lacking because of a

shortage of money. To make things worse, the project was undercapitalised. Today, only about 150 of the original 300 workers are still employed, a more suitable number.

During the hard times, Zenzeleni started discussing unusual means to reduce losses. The possibilities open to Zenzeleni to increase productivity were few. Attention was turned to ownership and distribution of profits and control. Both the socialist 'collectivistic' and the capitalist 'individualistic' approaches had problems. Where workers lacked knowledge of business administration or the market, collective ownership and decision-making had been unsuccessful, resulting in unhealthy decisions on investments, prices and wages. The individualistic approach, on the other hand, undermined labour and unions by strategies to co-opt workers on the basis of economic incentives.

Zenzeleni is now discussing combining increased individual participation together with collective union ownership. The co-op is discussing selling shares to individual workers, hence giving them economic incentives for performance. Workers are expected to be more efficient if they gain high pay-outs per share as the economics of the company improves.

Plans are being discussed to establish a new trust. Workers will be recruited as



Photo: Rafis Mavet

Zenzeleni shopfloor: little participation

shareholders after a training programme on co-operatives, information on how Zenzeleni works, and so on. As soon as a minimum of one third of the employees has joined, the existing shareholder (SACTWU) will sell 50 of the 100 issued shares to the new trust, thereby enabling the new trust to become a 50% shareholder in Zenzeleni. The share capital, about R300 000, is to be drawn from the workers, who will contribute approximately R1 000 each to the trust from their wages. After a few years, each worker is expected to get double that back. When leaving the company, workers must also leave the trust.

The trust will be administered by a committee of trustees, including at least two salaried and two weekly paid Zenzeleni employees. All trustees will be elected by the general membership.

Economic democracy

Collective ownership is supposed to nurture collectivistic values and empowerment through collective decision-making. Yet, the prevailing culture at Zenzeleni is, as in any other clothing company, about management having the space to manage, dismiss and discipline workers.

International research shows that individual share-ownership may increase

productivity per worker, but this depends on the degree to which workers feel they have decision-making power and control through their ownership. In other words, organisation of work and the degree of participation and control – not ownership as such – affects productivity.

Does democratisation of working life flow automatically from formal decision-making rights? No, a democratic culture is needed, as well as a close relationship between day-to-day management and the interests of workers. The degree to which workers turn their formal rights into real power depends upon the organisation of work and the role of the union in the workplace.

Both individual share-holding ownership and collective ownership plans may fail in terms of economic performance if workers don't have the corresponding decision-making rights. Formal rights tend to be limited in the former case. In the latter, the basis of decision-making – education, information and expertise in managing a firm in a market economy – is often lacking. The solution may well rest in a fine balance between the two, where management has the space to manage and workers have the real capacity to take decisions and give direction.

Unions role

What role is there for unions in a worker-owned or union-owned company? Unions within a worker/union-owned company may be viewed as the legitimate opposition in the workplace; pushing for real democratisation and functioning as the democratic opposition within an economic democracy – like an oppositional political party in a political democracy. Otherwise the union as owner is reduced to private manager and democracy easily reduced to an authoritarian system in which the ruling groups claim to represent the 'will of the

Brave hopes, uncertain future

workers'. There must be a role for the union or union-like structure as an independent power-base for oppositional views.

Furthermore, adequate expertise in company administration among workers is essential to enable workers to transform formal decision-making rights into real influence and control. The union's tasks could include developing workers' competence and serving as centres for information and expertise on shopfloor activities and organisation of work.

Whether Zenzeleni will survive in the face of its economic problems, still has to be seen. Combined with increased productivity per worker and profits per sold clothing item, losses are decreasing and have now turned towards gains.

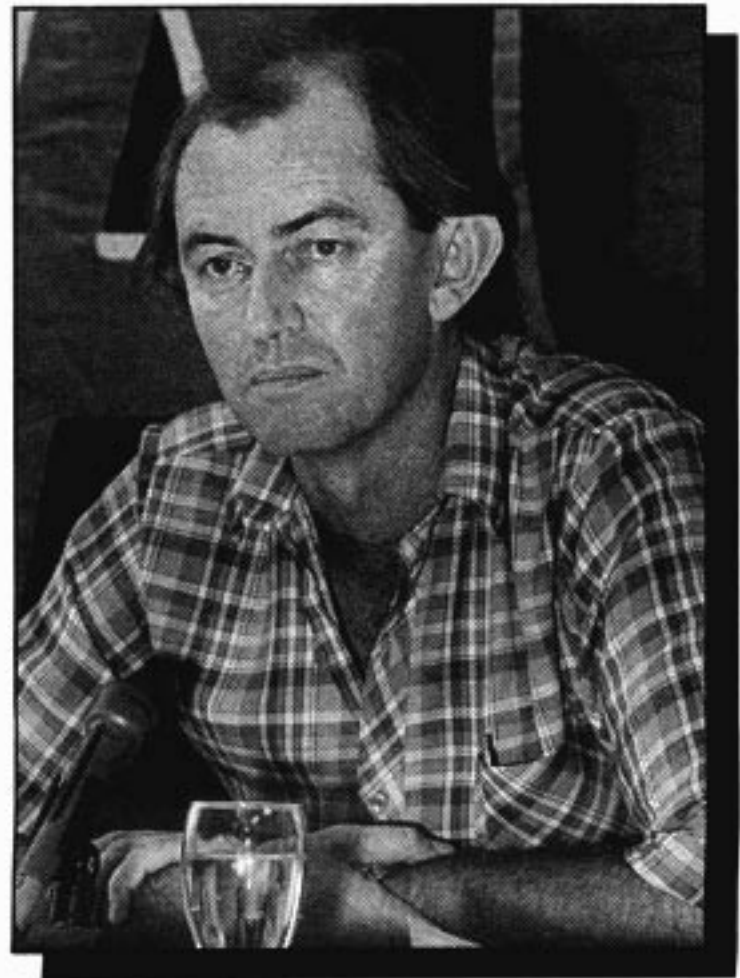
Individual ownership tends to fail in increasing productivity if the company is running with losses in the initial phases. Therefore, Zenzeleni has postponed the implementation of the plans until the company can show a solid profit. However, recent improvements in economic performance are not due to collective or union ownership, but due to good management and cost cuts. To create a feeling of collective ownership which nurtures economic efficiency, there should be changed work organisation as well as real participation by workers in decision-making bodies, restructuring and training. Here lies the challenge for Zenzeleni and the continuous creativity of workers and management. ☆



Photo: Rafis Mayet

The reconstruction and development programme: *a view from the tripartite alliance*

COSATU and ANC economist ALEC ERWIN argues that the Reconstruction and development programme (RDP) is a unique programme which can mobilise the organisations, people and resources of civil society behind development.



As the various political parties start publicly to release their manifestos and electoral programmes, the unique nature of the RDP becomes more and more apparent. It is a qualitatively different proposal in that it has been developed with and can be implemented together with, mass organisations in civil society. This is more than a government of national unity – it is governance of national unity. No other political party has even contemplated offering such a proposal because it is beyond their capacities.



This is more than a point to chalk up in the election campaign – it is the difference between success and failure in building a secure socio-economic future. The National Party and the Democratic Party have not understood, or chosen not to understand, the significance of the RDP's approach to governance and the socio-economic challenges we face. They have focused on old red-baiting tactics and attempts to discredit the financial feasibility of the RDP. The former is an approach that merely marks them as apartheid dinosaurs and will win few votes. The latter is a serious issue which we must address.

But first let us examine whether the RDP is pie-in-the-sky or in fact a serious proposal. It takes courage to dream these days and the



Shopstewards question Mandela, Naidoo and others at People's Forum

dampening floods of cynicism are all too ready to extinguish hope. But dreams and hope have taken us through the very darkest hours of our struggle – so why do we abandon them now? To dream or to hope does not mean that one's actual proposals or activities are unrealistic. If that were the case, it is hard to see how a repressive monolith such as the apartheid state was brought to the negotiating table. Dreams and hope lend a perspective and a boldness that can make all the difference between overcoming obstacles or running out of steam in the face of them.

The National Party and Democratic Party proposals are really just a reheating of the socio-economic policies that have gotten our economy into its present mess. The problems facing our society and economy are severe and truly need an innovative breakthrough.

Relying on our people

The innovative breakthrough in the RDP is to

rely on the organisational abilities of our people. It seeks to forge a functional relationship between the state and its institutions, and various organisations that have vitalised civil society. This is not some ideological wish, but a reflection of our current reality.

In unions, civics, peace structures and forums, all manner of organisations and people are grappling with very serious problems – communists, racists, nationalists, workers, capitalists, humanitarians – and just the ordinary people. We must rank as the negotiating capital of the world. Organisations and people are dealing with the very same problems that will and are being posed by reconstruction and development – conflicting interests, tension, corruption and hard choices. The RDP argues that we must harness this source of energy, personnel, decision-making and problem-solving that automatically enhances the resources of the

state itself.

This mobilisation of resources is vital because any attempt by the state to assume full responsibility for our future would be foolhardy, yet effectively the National Party and Democratic Party are advocating this. No matter how expert their economists and financial specialists, they have no way of addressing this strategic conundrum that faces us all and to which the RDP offers a solution.

Proposing and achieving

The socio-economic problems facing us are very large. As the RDP argues, this requires a programmatic approach. However, programmes are not easy either to administer or implement. The choice basically places policy-makers between a rock and a hard place – go for a programme which is necessary but difficult, or make ad hoc policy which is easy but ineffectual.

The ANC has no choice – it will govern and needs to do so for more than one term. How is the problem to be addressed? The potential answer is again in building on our recent history or work in the various forums. This points to a process of formulating and implementing policy with those most affected by the problem and the impact of implementing policy. This does not remove the responsibility to govern but it avoids uninformed pitfalls and it quickly identifies unintended consequences of a complex programme so that corrective action can be taken.

It is worth pointing out that this is in marked contrast to centralised, command and administrative planning that the

uninformed persist in seeing lurking in the RDP. Whilst no other political party really understands this, it is ironic and important that many in the business community are more likely to do so because circumstances have thrown them into the cauldron of the National Peace Accord, a multiplicity of forums and the active arena of collective bargaining. The prospects of effective and constructive business involvement in the RDP process is very high.

In short, therefore, none of us can be so naive as to believe that all proposals will be translated into actual facts. What the RDP does do is to propose an institutional framework that consciously allows for such problems. This has not been well understood by our political opponents.



Shopstewards at People's Forum: RDP relies on popular participation

The long-term strategy of the RDP

The National Party and the Democratic Party are continually stressing free market economics and insisting on no state involvement. This is good ideological stuff but very poor analysis. It misreads badly what pressures our economy faces and what other successful trading nations are doing. The RDP is by no means anti-market but it realistically accepts that the market is incapable of effecting major structural reform. To rely solely on the market at present would be to continue the path of stagnation we are on. The RDP seeks to develop conditions that will allow market forces to be more effective within a larger and restructured economy.

This is a basic approach in the RDP. We are trying to emerge from a society and economy where people were systematically denied rights, opportunity, access and physical necessities. To expect the private sector and market forces alone to reverse this is a dangerous assumption. Over the last decade, as apartheid legislation crumbled, the market-driven hopes of the National Party have borne little fruit. The reason for this was that those forces were being asked to do the impossible and had no supportive environment.

The private sector and market forces are vital components of the RDP, which is proposing to alter the environment in order to make them more effective. The programme to meet basic needs will in fact open new opportunities for the private sector to take up a wide range of economic activities, and for market forces to come into play in areas where they never operated.

The programmes for the development of human resources and democratising society all open up and empower society, and break from the closed and repressed society we have lived in.

Even the controversial mineral rights issue while complex is consistent with this basic approach. No one can create minerals in the ground – they are a natural endowment. They have to be found, and the more accessible this

process is, the more open the market. In any form of economic activity where the prospect of an event is privatised, stagnation and hoarding and rent seeking will be more likely.

However, what the RDP also makes clear is that this opening up must not be at the expense of workers who have fought for and won many basic rights. We have just come out of an exploitative society and we have no intention of going back into one.

For the free marketeers the market is some god-like force that solves all. This is nonsense. All markets are a component of the socio-economic reality within which they operate. If that reality is exploitative and repressive the market will reflect and consolidate that situation. That is why the evidence is overwhelming that market economies are stable, not because the market functions, but because democracy and socio-economic equity exist.

The RDP is clear in its objectives of empowering all parts of our society particularly workers – so that they can both effectively interact in the market and establish socio-economic equity in non-market institutions. Market forces are a means not an end.

This is a very important choice and in making it we must consider our location in the world economy. We are continually advised to ensure low wages in order to compete in the world economy. This is a narrow view which does not understand what is happening in that economy.

If we seek to compete on the basis of wages alone, we will be making a serious strategic mistake. There are economies where wage levels are very low – usually because of their own lack of development and high levels of unemployment. Unless we want to join them in this predicament, why try and compete with them? Countries such as China pose different problems because of the complex nature of their pricing structures as well as their gigantic size.

The basic economic position is however clear. As employment rises, workers will organise for wage increases which in any event become the main driver of demand in

the domestic economy. Costs are not kept down by suppressing wages, but by more effective use and development of infrastructure, human resources and technology. In the last few decades the dramatic advances in information technology have had a major impact on economies.

Economies that are effective in organising production in a stable socio-economic environment are not only competitive, but they enjoy stability for longer periods. The RDP makes a clear choice which is that we must develop a socio economic system that is effective, rather than create a few low wage export industries.

Paying for the RDP

All the above ideas, concepts and proposals are of little merit if they cannot be paid for. So whether we can finance the RDP is a valid question. Many critics seem to imply that there is some fixed amount beyond which we can never go. This is of course wrong. The flow of resources in an economy is complex and dynamic. Expenditure now can create income tomorrow, some expenditure has a greater social impact than other forms, and reallocation of expenditure can achieve differing objectives.

The question as to whether the RDP can be financed is complex. The question is what resources can be mobilised to embark on such a programme. This means that we are not focusing simply on the R125 billion that was allocated in the last national budget. Considerable resources lie outside the ambit of the

budget – both in the public and private sector.


We are involved in a particular process in answering this question. The initial proposals are based on an estimate that the resources could be mobilised for such programmes. We are now deepening this by estimating the cost of different items, assessing resources, and making adjustments. What will emerge is a coherent proposal that will have been widely canvassed with experts, funders and sectoral organisations. This will basically say that if we can mobilise these resources over a given period, then we can implement this package of programmes. We are confident that the RDP is achievable, and the more easily achievable the greater is our combined determination to mobilise financial, physical and human resources.

We have the capacity to do it. Our greatest obstacle will be a failure of courage and a poverty of vision of what kind of country we want for our children to live in. To rearrange Gramsci a little – our critics have an overdose of the pessimism of the intellect and a paucity of the determination of the will. ☆

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The Reconstruction and Development Programme: *a view from business*

Anglo American Executive Director, BOBBY GODSELL, comments that the Reconstruction and Development Programme (RDP) is a valuable first step, but questions whether it sets achievable targets.



The responses in this article are a result of a first reading of the sixth draft of the RDP. A further draft has already been produced. Furthermore, the 61-page document is complex. Inevitably this article cannot do justice to the document. It can only be a first word in what must be a continuing dialogue.

Welcome elements

The RDP contains much that must be welcomed. Its very production is a positive step. Few political movements participating in the elections can have put on the table so comprehensive and detailed a document.

Secondly, the spirit in which the document is offered is encouraging. The document's introduction notes that this draft is the result of consultation and joint policy formation with the ANC-led alliance. It notes

further that "Other key sectors of our society such as the business community must be consulted and encouraged to participate as fully as they may choose." I am confident that business is ready to participate both fully and constructively.

Thirdly, the programme seeks an integrated approach to responding to the country's political, social and economic needs. Such an approach is imperative. In South Africa, perhaps more than in many other countries, political, social and economic constraints and considerations inform, even determine, each other. We will not achieve economic growth without political stability. Political stability is not possible without growth.

In this regard, the document's assertion that growth and development are not

necessarily antagonistic is important. Social investment can be growth promotive. Growth, ultimately, is the engine of poverty relief.

A fourth welcome aspect of this document is the pragmatism it displays in many areas. This is well illustrated by the document's treatment of the role of a new democratic government in the economy. The paragraph concerned is worth quoting in full.

"4.2.4 In this context, the balance of evidence will guide the decision for or against various economic policy measures. Such flexibility means assessing the balance of evidence in restructuring the public sector to carry out national goals. The democratic government must therefore consider:

"4.2.4.1 increasing the public sector in strategic areas through, for example, nationalisation, purchasing a shareholding in companies, establishing new public corporations or joint ventures with the private sector, and

"4.2.4.2 reducing the public sector in certain areas in ways that will enhance efficiency, advance affirmative action and empower the historically disadvantaged, while ensuring the protection of both consumers and the rights and employment of workers."

The critical phrase here is "the balance of evidence".

Does the RDP promise too much?

Early in the document, indeed on page 2, it is noted:

"It is no use merely making a long list of promises that pretend to answer every need expressed. Making promises is easy – especially during election campaigns – but carrying them out as a government is very much more difficult."

How well does the RDP heed this advice? The scorecard the document sets up for a future government is formidable:

2.4.1.4 ...The programme must aim to redistribute 30% of agricultural land within the first five years...

2.5.1 ...To this should be added an estimated

200 000 new households each year.

2.5.2 ...At minimum, one million low-cost houses should be constructed over five years.

2.5.7 As a minimum, all housing must provide protection from weather, a durable structure, and reasonable living space and privacy. A house must include sanitary facilities, storm water drainage, household energy supply (whether linked to grid electricity supply or derived from other forms of energy generation such as solar energy) and convenient access to clean water. Moreover, it must provide for secure tenure in a variety of forms.

Should one also provide for six hour's sunshine per day?

2.6.6 (The RDP's) target is to supply 20-30 litres per capita per day (LCD) of clean water (a protected water point within 200m which meets WHO standards), appropriate on-site sanitation and an organised communal refuse collection system. Odourless toilet systems should be provided to all homes within the next two years.

2.7.6 ...access to electricity for an additional 2,5 million households by the year 2000...

2.9.7 ...The transport authorities must be charged with the task of reducing (road) accidents by 10% by the year 2000 and must be given the funds to achieve that goal.

2.12.6.1 Health care for all children under six years of age must immediately be provided free at government clinics and health centres.

2.12.6.2 ...Targets must include 90% of pregnant women receiving antenatal care and 75% deliveries supervised and carried out under hygienic conditions within two years. 90% of deliveries should be supervised by 1999.

2.12.6.3 ...A more effective expanded programme of immunisation must achieve a coverage of 90% within three years. Polio and neonatal tetanus can be eradicated within two years.

- 2.12.10.2 ...The aim is to train 25% of District health personnel (in preventative health care) by the end of 1995, and 50% by the end of 1997.
- 2.12.11.2 Within a period of five years a whole range of services must be available free to the aged, the disabled, the unemployed and to students who cannot afford health care.
- 2.13.15 ...and within a five year period a minimum of another 3000 community development workers must be trained...
- 3.3.10.2 The democratic government must enable all children to go to school for at least ten years. ... We must ensure that no class exceeds 40 students by the end of the decade.
- 3.3.10.6 ...all schools and existing facilities are to be used to full capacity by the start of 1995 for both compulsory and non-compulsory learning.
- 4.4.2 An increase in public sector investment in health, education, housing, electricity, water, roads and transport can push the GDP growth rate to about 5% annually...(and can result)...in a possible increase of between 300 000 and 500 000 new non-agricultural sector jobs.
- 5.8.1 ...By 1999, the personnel composition of the public sector including parastatals must have changed to reflect the national distribution of race and gender.

Quite a list!

There can be no argument with the broad goals implicit in the above. It is necessary to set targets if real progress (or indeed the lack thereof) is to be mentioned. And, as Rick Turner reminded us in *The Eye of the Needle*, utopian thinking is needed to transcend the sort of history South Africa seeks to escape. Yet, unrealisable goals exact a price. They induce cynicism or worse. They can also distort real judgment.

In all the abovementioned areas of social endeavour I would argue the test for a new government is to make progress, and not of a trivial or insignificant kind. The critical issue is whether it is significantly better today than it was yesterday.



Taken for a ride: is it premature for the RDP to choo

Some of the targets set do not suggest that there has been a serious examination of the achievable. Can the promise be funded? Are there constraints beyond money? Does the target make sense? For example, precisely if growth occurs, as is elsewhere argued for, there should be many more vehicles on the road. Is a 10% reduction in road accidents realistic?

The road ahead: an agenda for constructive debate

Significant progress in the economy and in society will only occur if we as a nation design good policies, and implement these effectively. This will indeed require a partnership between government and civil society – precisely as the RDP seeks. This partnership will have to commence with policy design and extend to its effective implementation.



Public transport rather than private minibus transport?

Good policy well implemented requires a number of elements.

- ❑ Correct problem identification.
- ❑ A realistic assessment of alternative responses.
- ❑ A clear understanding of who needs to do what. In this regard, few major problems will be solved without government doing something. Equally few will be solved by government alone.
- ❑ Finally, effective implementation, monitoring and maintenance will be as important as good policy design.

Let's illustrate the above concepts more concretely in an attempt to begin to delineate the debate.

In transport, the goal must surely be cost effective services that supply the service the commuter needs, when the commuter needs it. It is surely premature and indeed pre-emptive to decide that this goal can only be met by a

public-owned passenger transport system. Surely the mini-bus taxi industry came into being, and has achieved something like a 70% market share, because it could do what heavily subsidised public transport could not.

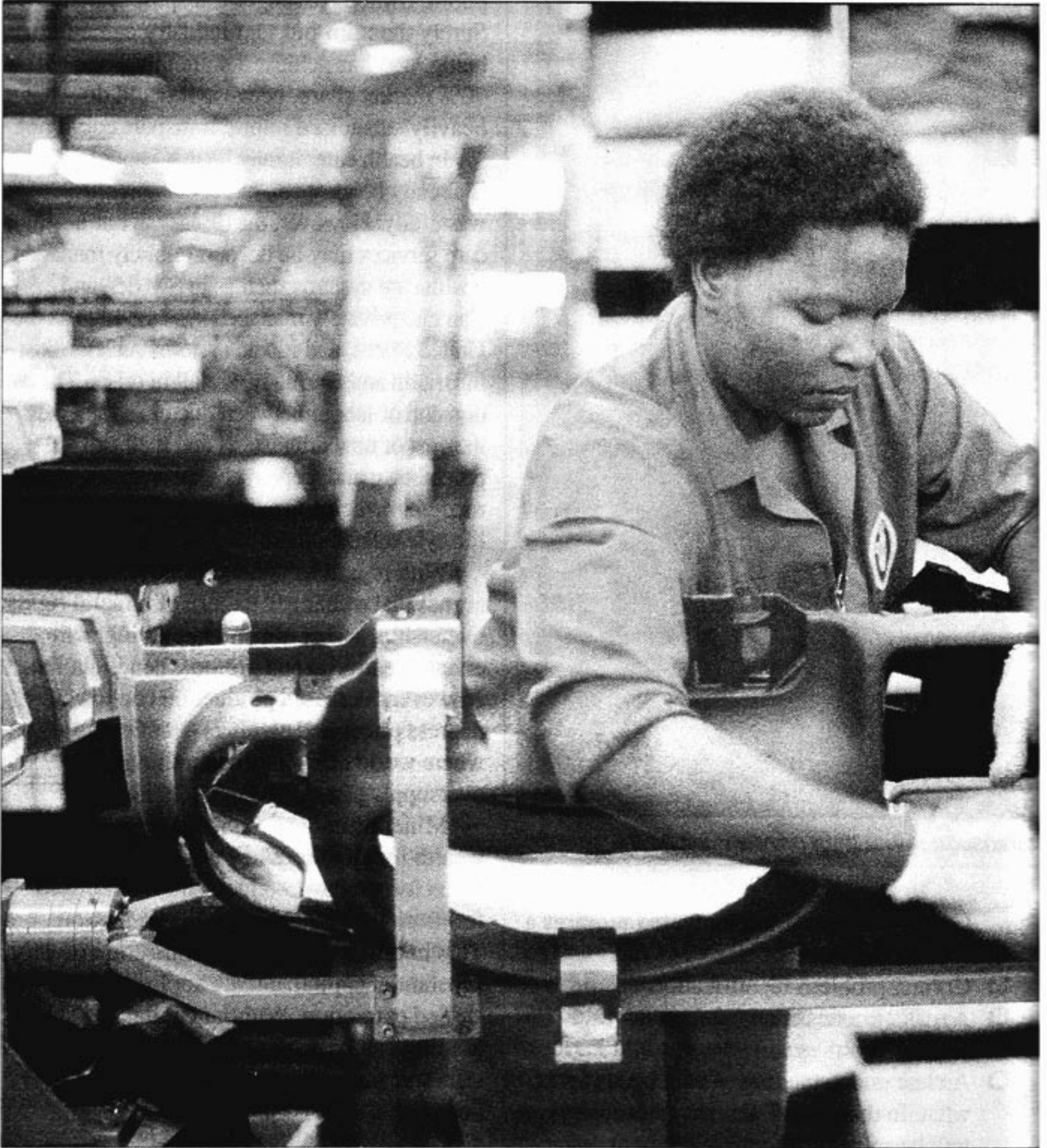
In health care, it may be that enough money is already being spent, but is being spent wastefully. However, the disease in our health care services may lie deeper. Publicly managed health care systems such as in Sweden and Canada, privately managed systems such as the United States, and mixed systems such as exist in Britain and Germany, are all in crisis. The division of labour between doctors and nurses; the cost of new drugs, tests and medical procedures; and, perversely, the very success of modern medicine in extending life, as well as lifestyle-related illness may all play a role.

With regard to mineral policy, the RDP argues that a changed pattern of mineral rights ownership, and of mineral marketing, will enhance earnings and promote beneficiation. However, increased production could well depress prices and earnings – particularly where world markets are in a significant oversupply phase.

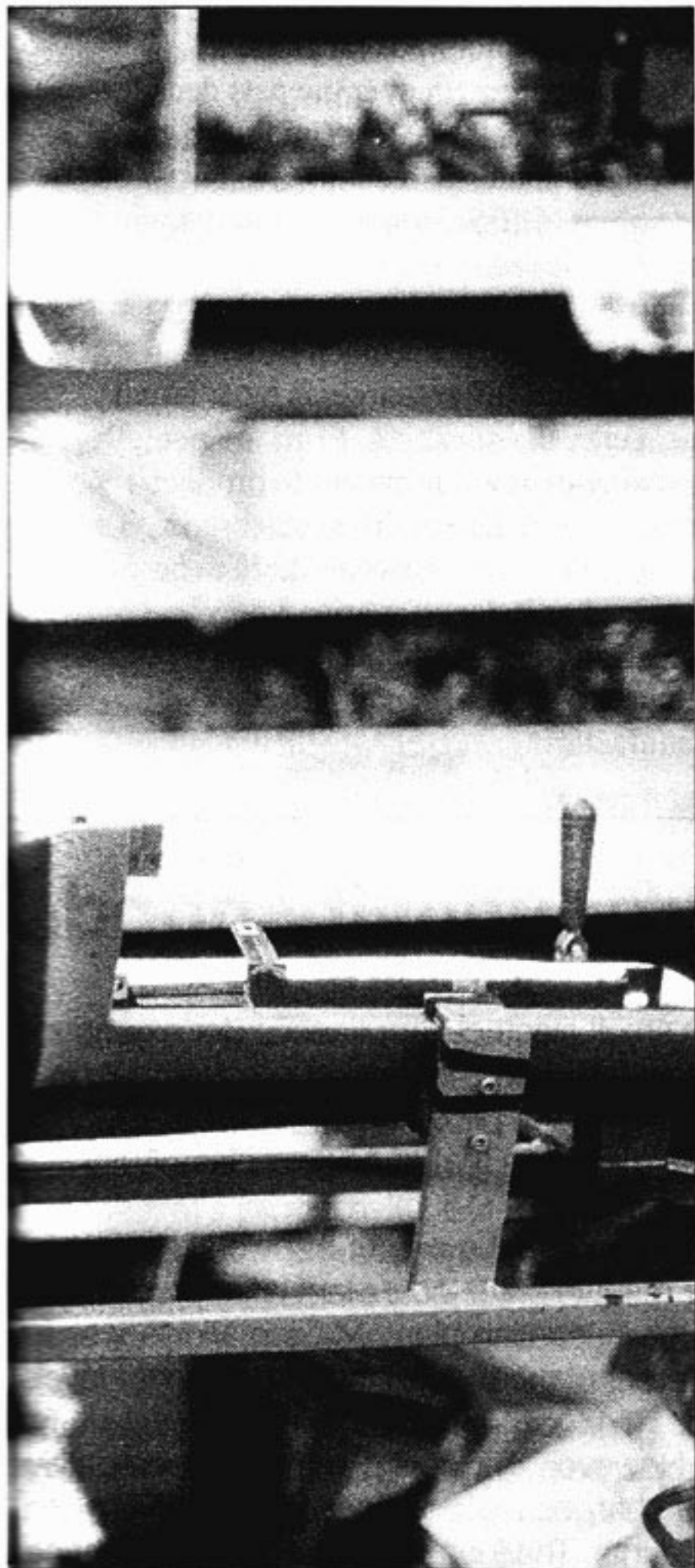
Minerals in the ground do not constitute wealth for anyone. They only become wealth when turned into products that can be sold for more than the real cost of production. This in turn requires the mobilisation of very substantial capital and the application of skilled extraction. Without capital and skill, nothing can be achieved. Crucial to the effective mobilisation of both is certainly both rights and risks.

Conclusion

The ANC has spoken a valuable first word in the RDP. The challenge is with other areas of civil society to complete the dialogue. We must not wait to do this. The sooner the dialogue produces a clear delineation of the problems, a realistic understanding of alternative solutions, and a collective will to act to resolve the issues, the sooner we will arm a democratic government to properly play its leadership role in creating not only a new South Africa, but also a better South Africa. ☆



Industrial strategy for *the recommendat*



South Africa: Lessons of the ISP

By the INDUSTRIAL STRATEGY PROJECT

1. Introduction to the ISP

In 1991, COSATU commissioned the Economic Trends Research Group to contribute to the development of an industrial strategy for the South African manufacturing industry. The Industrial Strategy Project (ISP), which began research in January 1992, investigated 12 manufacturing sectors (ranging from clothing and textiles to household electrical goods, engineering, autos, and paper and pulp) and five cross-sectoral themes (covering trade, technology, human resource development and industrial relations, competition and ownership, and regional industrial policy).

This article presents an abridged version of the ISP policy framework document presented to COSATU in October 1993. As such, it consists of ISP recommendations rather than COSATU policy.

Why develop a strategy for the manufacturing industry? Manufacturing is a particularly important sector of the economy. For example, nearly a quarter of the formally employed have jobs in manufacturing (and many of these are COSATU members). Manufacturing has the capacity to generate high-paying jobs, to produce basic commodities at affordable prices, to ease the balance of payments constraint, and to raise the general level of productivity in the economy.

The realisation of this potential will require policy interventions in many arenas: ownership structures, market power, trade protection, exchange rates, vocational training systems, remuneration packages, collective bargaining structures, technological capacity and diffusion, and regional development.

However, it will take more than ad hoc policy to deal with this complex mix of issues. What is required is a comprehensive industrial strategy to inform and guide individual policy interventions. The objective of the ISP is to propose such a strategy. The problems facing South African manufacturing are outlined; objectives, strategy, and a policy framework are presented; and over 50 specific policy proposals are summarised.

It should be remembered, however, that industrial strategy is more limited in scope than national economic development strategy. It is important to

Continued from page 45

appreciate these limits. For example, although manufacturing growth should contribute significantly to generating additional high-productivity, well-paid employment opportunities, its short-run impact on aggregate employment will be very limited. Industrial policy should not be seen as a substitute for other employment-creation programmes and strategies.

A successful industrial strategy would, however, provide additional government revenue which could finance such programmes.

2. Problems in South African manufacturing

Compared to most other countries, South African manufacturing has performed poorly for more than a decade:

- ❑ Manufacturing output fluctuated in the 1980s, but was lower in 1992 than in 1981.
- ❑ Manufacturing employment was the same in 1992 as in 1980, and has been falling rapidly since 1990.
- ❑ Manufacturing investment has fallen dramatically since the early 1980s. Currently, capital stock is growing at 2% per annum, way below the average 8% of South Africa's competitor countries.
- ❑ Much of manufacturing investment is in the chemical and steel sectors, where relatively few jobs are created. Furthermore, investment in chemicals has been government-led (Sasol and later Mossgas).
- ❑ South Africa's overall trade performance has been poor, primarily because our exports are concentrated in primary products. International demand for these products is growing very slowly.
- ❑ Manufactured exports have been

NOTE: this is an abridged version of the Industrial Strategy Project's overall framework and policy recommendations presented to COSATU and other stakeholders during 1993. Abridgement by Avril Joffe.

increasing since the early 1990s. However, the picture is far from satisfactory: growth over the past decade was due to special factors (including the prolonged domestic recession, export incentives (GEIS), and the fall in the value of the rand); our competitor countries have been increasing their manufactured exports much faster than we have; and ISP researchers have found that, generally speaking, firms are not investing in new equipment to produce for the export market. The increase in manufactured exports is unlikely to be sustained as it does not arise from significant improvements in the competitiveness of South African manufacturing.

Productivity good.

In small electrical appliances (for example toasters, irons, kettles) our researcher compared the productivity performance of a local plant with that of a world-class Australian plant.

In terms of the output per worker or output per machine, the local plant is as productive as the Australian plant. Making allowances for different plant and equipment, turnover levels etc.

However, the local plant is less competitive and charges higher prices for similar products. The local firm charges higher prices because it has to pay higher duties on imported components and higher prices for local raw materials, for example steel, plastics, aluminium, than does the Australian firm.

The local firm needs to keep stocks of inputs. This is because, unlike the Australian firm, the local firm is unable to secure input deliveries as and when it needs them. The local firm is not fully utilising its plant and equipment and unlike the Australian firm, the local firm's turnover is low and has declined

- ❑ Poor export performance has been a major factor preventing the entire economy from growing more quickly. South Africa's economic growth depends upon its ability to import capital equipment, and is therefore limited by the balance of payments constraint. Currently, our exports will buy no more imports than they did at the end of the 1970s, and sustainable economic growth is therefore limited to around 1,5% per year.
- ❑ Productivity growth in the South African manufacturing industry, however it is measured, has been very low over the past two decades. This is very unusual. For example, if measured by value added, while SA increased its

manufacturing productivity by about 1% per year, many of our competitor countries sustained rates of 5% over the same period.

- ❑ ISP research indicates that, in many manufacturing sectors, firms performed particularly poorly on 'non-price' criteria such as quality, products suited to individual customer needs, and product delivery to customer requirements. These factors are increasingly important on international markets.

It should not be imagined that South African manufacturing has no redeeming features. For example, most manufacturing sectors feature some firms which compare reasonably well, in terms of productivity, with 'international best practise'. However, the scope and the depth of the problems facing SA manufacturing are more than adequate to justify the vigorous promotion of an industrial strategy. They also determine the objectives of such a strategy.

3. Objectives of an industrial strategy in SA

Our analysis of the poor performance of the manufacturing sector leads us to suggest four interlinked objectives of industrial policy: create employment, increase investment, improve trade performance and raise productivity.

- ❑ Employment creation: the direct contribution of manufacturing to employment creation will be in the area of high productivity/high wage jobs. Realising this objective will also make it possible for jobs to be created elsewhere in the economy, such as in the services sector and in the provision of social infrastructure. However, it would be unrealistic to expect significant job creation in the manufacturing sector itself. Even in countries whose manufacturing performance has been far better than our own, not many manufacturing jobs have been created.
- ❑ Increased investment: industrial policy is principally concerned with the productivity, rather than the level, of

but prices still high

over time.

In this case, the sources of the problem are primarily external to the firm. The policy emphasis here would not lie in measures to raise the firm's productivity, but rather in altering the external environment: altering tariff rates (the trade regime); securing lower prices for local raw materials; ensuring better conditions and linkage between firms and/or better transport infrastructure; ensuring increasing demand in the domestic economy. With regard to the latter, there is a clear linkage here with the extension of electrification.

This problem is illustrative. Local firms can, and in a number of cases have achieved levels of productivity which are comparable with 'international best practice'. Enormous gains can be made by ensuring a wider diffusion of such 'best practice'. However, the principal problems for many of the more productive firms exist in the broader environment within which they operate. Policy is accordingly needed to address these problems. ☆

Productivity gains at Gabriel

Gabriel is a US-owned, medium-sized producer of shock absorbers for the domestic market and for export. Over the past five years it has been engaged in a process of production re-organisation aimed at implementing Japanese styled production with a view to increasing productivity and thereby reducing costs.

The Gabriel case illustrates both the large productivity gains that can accrue to plant re-organisation, as well as the complex issues that this raises for unions sensitive to the employment implications. Rapid productivity growth in a situation of falling domestic demand is likely to lead to retrenchment. This points to the need for rapid export expansion as well as more generalised policies to encourage growth and new investment in the sector as a way of easing the adjustment process. Without this, workers are far more likely to oppose new forms of work organisation, and so limit the potential gains in productivity.

Gabriel has had to face up to the issue of raising productivity in the face of changing market conditions. Weak growth in the domestic economy has meant that exports are the main growth area. Gabriel is targeting the foreign aftermarket and its competitive strengths lie in the large range that the company can offer, high quality levels and small niche market capabilities.

The main innovation in production reorganisation has involved the introduction of Just-in-Time (JIT) manufacturing and a cellular layout. The objective is to supply "only the necessary items at the right time and correct volume to the prescribed quality specifications". This was to be achieved by introducing

the following changes:

Quick machine changeovers

Small lot sizes rather than continuous runs

❑ "U-shaped" lines and cellular layout to improve proximity of operators to a number of machines

❑ Frequent parts supply with no interruptions

❑ Continuous improvement achieved by the introduction of action teams (consisting of members of the cell, engineering maintenance and toolroom personnel) and suggestion schemes.

Implementation has so far been partial with greater success in some areas than others.

The main feature has been the gradual introduction of a number of JIT manufacturing cells. The first major project was a gas spring assembly cell which has realised large productivity gains as well as increased flexibility (Table 1). The latter is an important attribute, both in the South African market, which is characterised by a wide range of vehicles produced in low volumes, as well as in the foreign aftermarket. Fifty percent of production from this cell is now being exported as a direct result of productivity improvements. The main source of productivity increase has been a radical

reduction in machine set-up times. Set-up times used to range from 30-120 minutes. This has been reduced to 2-10 minutes in most cases. World class cell performance requires that all machines can be changed within 5

Table 1
Productivity impr

No of workers
Output per shift**
No of machine ch
per shift
Set-up times
**Shifts were no long



minutes. Under the old system, downtime resulting from lengthy set-up times meant that 50-70% of potential production was lost. Machine setting was previously performed by a special category of setters. This task is now performed by the operators themselves. In addition, large numbers of adaptations to machinery have been introduced to reduce set up times.

Table 2 indicates how overall plant productivity has improved. With domestic demand stagnant at best and exports taking

time to materialise, employment has fallen sharply (by 45% over the past four years). While workers are fully aware of the need for productivity improvement to maintain the viability of the plant in the face of international competition, from their perspective the main impact of restructuring has been retrenchment. However, exports are now set to expand rapidly and the firm claims to have established a firm base for future expansion. ☆

new Gas Spring Cell

Old assembly line	New JIT cell
8	3
500-1000 units	100-1500 units
3-4	7-8
30-120 minutes	2-10 minutes
assembly line	

Table 2: Productivity improvement at Gabriel (Unit per person per day)

1990	25
1992	30
1993 (January)	45-50
1993 (November)	58
Since 1990, work hours per week has fallen from 45 to 41,5 hours and overtime has been reduced from 30% to 18%.	

investment. However, the realisation of our broad objectives does require an increase in the level of private manufacturing investment.

- ❑ Improved trade performance: our industrial policy aims to substantially increase manufactured exports, and to reduce imports of machinery and consumer goods. This will reduce our dependence on slow-growing and volatile raw material exports and enable us to finance the level of imports that is necessary for economic growth.
- ❑ Raising productivity: our objective is to improve the performance of South African firms and close the gap between these and the world's leading firms. This is the heart of any industrial strategy.

These four objectives are interdependent. There are considerable dangers in meeting some of these objectives and neglecting others. For example, if significant increases in productivity are not accompanied by vigorous growth of domestic manufacturing investment and entry into international markets, the result will be a loss in employment (see box, page 52).

Internationally, manufacturing is currently undergoing major organisational changes. These include changing the way production is organised within the firm and altering factory lay-out.

Our researchers found that these changes were only being adopted slowly in most sectors of local manufacturing. Where they have been adopted, these organisational changes have often secured major changes in productivity. This has been particularly so when the labour force has supported these changes.

4. Proposed industrial strategy

In order to achieve the objectives outlined above, we propose an industrial strategy which seeks to achieve the following:

(a) **'Move up the value chain'**: SA manufacturing is unusually diversified. Typically, local firms produce a larger product range than similar-sized firms in



The workers of South Africa: what will industrial po

other countries. The problem is that South African consumers – especially low-income consumers – bear the cost of this excessive diversification in the form of poorer quality and higher priced products than on the international markets.

South African manufacturing needs to become more specialised by focusing on areas in which South Africa is advantaged or in which advantage may be created: areas where skill, design capability, our rich and varied natural resource base, and our sophisticated financial and physical infrastructure are central. This approach emphasises maximum utilisation of our existing human and other capacities and the further development of these resources (see 'A paper case study', page 56). It implies gradually vacating sub-sectors in which low wages (and low skill) are a principal



them?

component of the value added in the production process (this should not be taken to imply that there will be policies to 'close down' low value production; rather, policy measures should encourage high value production).

This strategy should be distinguished from one which is narrowly focused on high-technology niche markets. It should also not lock South Africa into narrow areas of production based only on natural resources.

For example, in the textile sector our researcher identified seven particularly productive firms.

The key characteristic common to all these firms was that they produced higher value-added textile products (see box, page 58). Concomitantly, many (but not all) of the least productive firms produced low-

value commodity textiles.

This example suggests that the higher value-added end of textile production offers far greater potential for development. The heavy presence of unproductive and undynamic firms at the lower value 'commodity' end of textiles suggests that, if these firms are to remain in business, levels of protection would need to be increased.

Industrial strategy for this and other sectors should design policies to encourage the movement of firms in the textile industry into the higher value-added end of production, and at the time to put pressure on firms at the commodity end of production.

(b) 'Reduce the cost of living': The second pillar of our overall industrial strategy is directed at making basic consumer goods affordable so as to reduce the cost of living of working-class South Africans. The intention here is to help alleviate poverty and, by reducing the upward pressure on wages, enhance export competitiveness.

Compared with advanced industrialised countries and newly-industrialised countries (NICs) such as Korea and Taiwan, South African wage levels are low. However, they are high when compared with the second-tier NICS (Malaysia and Thailand). Paradoxically, however, the living standards of low-income South Africans are low, even in comparison with the second-tier NICs. One important reason for this is the high cost of basic consumer goods.

Our basic consumer goods strategy relies, in part, on gradually vacating those consumer goods sub-sectors in which we are unable to compete efficiently with imports. But it is also directed at lowering the cost of South Africa's basic consumer goods production. ISP has policy proposals to improve the competitiveness of basic consumer goods production, dealing with wage structures and differentials, the informal sector and the impact of monopolistic and oligopolistic markets.

(c) 'Improve the competitive fundamentals': In general, our approach

Continued on page 58



Carlton paper strike: South African mills have too much conflict

'Moving up the value chain': a paper sector case study

Anyone who has travelled through the Eastern Transvaal or Northern Natal will have seen the large forest plantations which form the basis of a number of industries. Wood from these forests is used to produce pulp and paper, which is in turn used to make paper products as diverse as packaging, tissues, books, stationary and magazines. The forestry, paper, packaging and printing industries could be seen as a pipeline – a chain of industries that rely on one another.

South Africa has a great advantage when it comes to growing wood. Because of our hot, moist climate, trees grow much more quickly here than they do in colder countries like Sweden, Germany, Canada and the

northern parts of the USA. As a result, it is much cheaper to grow wood in South Africa than it is in the northern countries. At present, our wood costs are approximately 25% cheaper.

The cost of wood has a great influence on the cost of producing pulp and paper, since wood is the most important raw material for these goods. The pulp and paper industry also benefits from low energy costs. Consequently, South Africa is a highly competitive producer of wood chips, pulp and low-value papers such as newsprint and packaging paper. In addition to supplying the local market, South African companies export large quantities of these products every year.

Despite the raw material advantages, and the success in the production of lower-value products, South African companies have been much less

successful in the manufacture of higher value products such as fine papers, tissue products and printed goods. South Africa imports a relatively high proportion of its fine papers and paper products, and the local goods tend to be expensive and suffer quality problems. If South African companies could become more efficient and more competitive in the manufacture of these products, there would be a number of advantages including:

- ❑ The preservation of current jobs, and the creation of new ones;
- ❑ Foreign exchange savings; and
- ❑ Lower prices for consumers – including cheaper books and educational materials.

Why has the industry failed to translate its raw material advantage into competitive production of more complex products? There are four main reasons:

(a) Inefficiency: Given the high cost of running pulp and paper mills, production efficiency is very important. South African mills, however, tend to face productivity problems. Local mills produce higher levels of defects and waste, and achieve lower yields on their inputs. We use many more people to produce a ton of a given product than, for example, mills in Scandinavia. In addition, local mills have higher levels of 'downtime' – time when the machines are not running due to various production problems. These inefficiencies are linked to the way that work is organised and managed in South African mills. We tend to have many more levels of management, more supervisors, less teamwork and more conflict than comparative mills, for example, in Europe (1). Our skill levels also tend to be much lower, as a result of South Africa's education system and low levels of formal training in the industry over the last few decades.

(b) The small market for printing and writing papers in South Africa: The market is relatively small because the majority of South Africans have had limited access to books, magazines, printed materials and writing papers. In addition, the market is highly fragmented. Local paper companies therefore have to produce many different types of paper, which is much less efficient.

(c) Old technology: Efficiency will also be influenced by the state of the equipment being

used. Many of South Africa's pulp mills are large and relatively new, and employ state-of-the-art technology. However, some of the mills which produce board, and printing and writing papers are small, and use old technology. Compared with newer, world-scale mills, a number of South African mills are technologically inadequate. Substantial investment will be required at these mills to make them more internationally competitive.

(d) The extent of local and international competition: The price of paper is not only determined by the actual cost of producing paper, but also by the extent of competition in the market. A lack of competition may inflate prices as consumers have limited choices. In South Africa, there are very few paper producers. Certain types of paper are produced by only one company, and other types by two companies. In addition, foreign competition is limited by tariff barriers, sanctions, and our physical distance from other major producers. As a result, local producers are relatively protected from international competition. This allows local companies to charge high prices for paper, without the fear of losing out to more efficient producers.

What would it take to translate our raw material advantages into successful manufactured products? The following recommendations are designed to improve the prospects of the paper sector:

- ❑ A strategy for efficiency improvement, co-determined by management and organised labour.
- ❑ A plan to lower the price of locally-produced papers, partly through tariff reduction.
- ❑ A programme of investment in the local industry – particularly in the board, fine paper, and printing sectors.

The ISP has also made recommendations to tackle social, labour and environmental problems in the industry. These include raising wages in the forestry sector, and limiting the environmental damage caused by forestry and by paper production. ☆

Continued from page 54

does not favour selecting specific sectors or sub-sectors ('picking winners') in the manner associated with other successful industrial policies (such as in South Korea, for example). Because of our highly diversified industrial base, South Africa is not faced with developing industrial processes from scratch. Our strategy therefore focuses on improving underlying competitive fundamentals such as skills acquisition and technology diffusion. This will enable South African manufacturers in general to compete in the higher-value ends of their chosen sectors.

(d) 'Productivity-raising redistribution': Our industrial strategy relies heavily upon the rapid growth of productivity. In order to achieve the required productivity improvements, the fourth pillar of our strategy is focused on redistribution that generates and accompanies increases in productivity. This redistribution is of two kinds: redistribution of power relations, both at the level of industrial policy formulation and implementation, and at the shop-floor level; and the greater equality of income that accompanies the creation of more productive and more highly paid employment.

Productivity increases are principally a reflection of developments on the shop floor. Hence the redistribution of power relations at the policy formulating level must also be reflected at the factory level. Industrial relations structures and practices are therefore key elements of the productivity-enhancing redistributive process, as are ownership and other corporate governance structures. Concretely, this will be manifest in flatter hierarchies and reduced earnings differentials.

5. Industrial policy framework

South Africa's manufacturing sector clearly needs to be restructured. By 'restructuring', we mean creating a more focused and specialised manufacturing industry with greater emphasis on higher value-added areas. However, unless such restructuring is

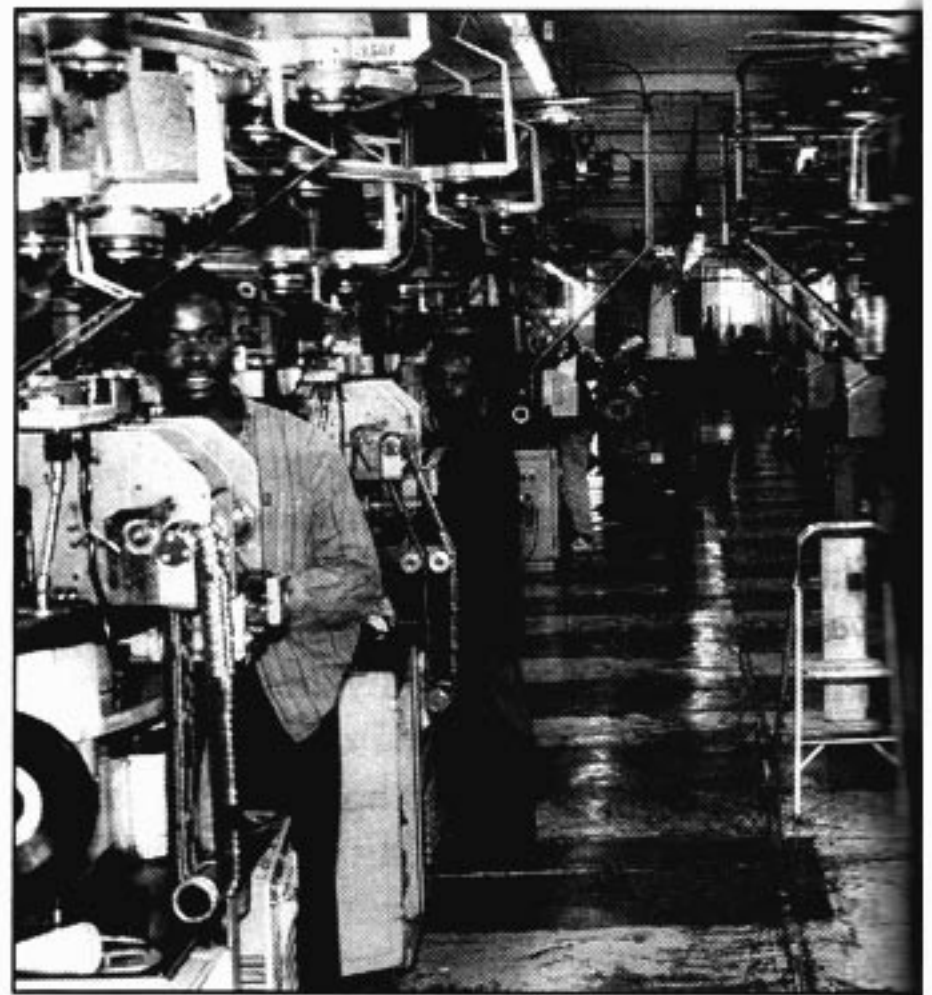
accompanied by greater productivity in these more focused areas, this could simply mean wiping out important parts of South African manufacturing and throwing us back onto our natural resource base.

The principle mechanism, therefore, for restructuring manufacturing is enhancing productivity. How should this be done? This is the question that industrial policy is dedicated to answering.

Our industrial policy framework incorporates incentives, capabilities and institutions.

(a) Incentives

Sharpening incentives to increase productivity involves harnessing the power of market forces. This means firstly, a trade



'Moving up the value chain': a textile case study

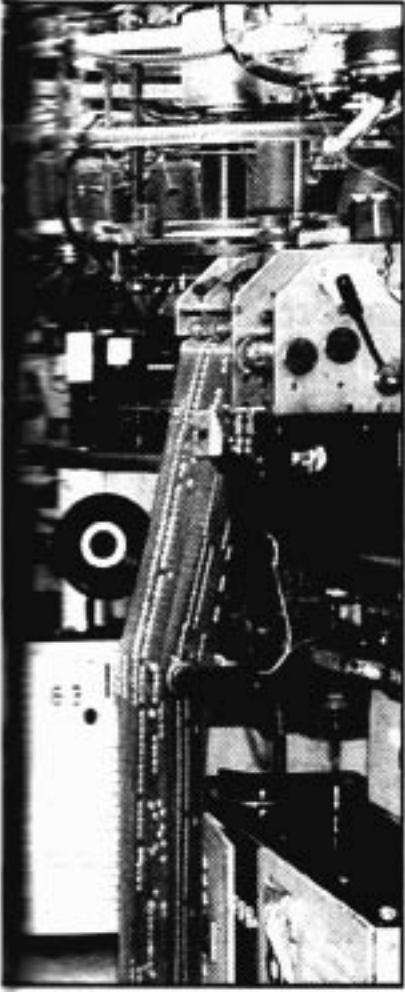
policy that seeks to expose domestic producers to international competition, and, in particular, to refocus local manufacturing on the opportunities that exist in international markets. Secondly, our competition policy and ownership policies seek to increase competition in domestic markets by policy designed to deconcentrate markets and to influence the conduct of key participants in these highly concentrated markets. Finally, there is also policy on the cost of inputs, including the costs of raw materials and intermediates, labour and capital.

None of this implies that policy designed to expose South African firms to unmediated market relations will, in and of itself, revitalise the manufacturing sector.

The key capacities that underlie competitive manufacturing will not necessarily be generated by market forces alone. Moreover, harsh competitive winds may well destroy scarce and valuable capacity. In other words, at least as important as recognising market incentives, is the recognition that the 'freeing' of markets can lead to the destruction of capacity and that market failure is common-place. This suggests an important role in industrial policy for extra-market intervention.

(b) Capabilities

Recognising the limits of the market implies a carefully constructed, pragmatic trade policy and competition policy. It also implies systematic policies to build the



Our researcher identified seven particularly productive firms and attempted to identify whether they had common characteristics which differentiated them from the other, less productive firms in the sector.

The key characteristic common to all the productive firms was that they produced higher value-added textile products rather than basic undifferentiated cloth. Companies did this in different ways:

- three on the basis of product design
- two on the basis of specialised technology production processes
- one on consistent quality
- one through making its fabric into jeans by subcontracting and obtaining franchises to make brand names.

Of the seven companies four have export-oriented strategies in which exports have deliberately been sought and increased. Two

of them export only sufficient amounts to qualify for duty-free import permits while only one company concentrates on the South African market. It has a record of reliability, consistency, and closeness to the customer which has ensured its continued success.

The seven companies shared other characteristics:

- they had all invested extensively in new technology over the last decade
- they all have a drive to improve quality
- there is a general effort to improve processes (although this has not always worked well: most of the companies still have high stock levels, for instance).

This example suggests that the higher value-added end of textile production offers far greater potential for development. The production of basic undifferentiated cloth, on the other hand, relies heavily on protection. The heavy presence of unproductive and undynamic firms in the production of basic cloth suggests that, if these firms are to remain in business, levels of protection would need to be increased. ☆

'Picking winners'

Our preference for targeting the broad underlying 'competitive fundamentals' does not mean that we reject all forms of 'hard targeting', that is, targeting directed at providing additional resources for developing specific manufacturing sub-sectors. A few examples will outline some of the particular circumstances that demand a measure of hard targeting:

- Once the Alusaf project comes on stream, South Africa will have a world-class aluminium refining capacity. Resources should be targeted at developing a capacity to utilise a portion of this aluminium in downstream manufacturing processes. This may be extended to other basic minerals that South Africa produces competitively and exports but does not utilise in downstream manufacturing processes.
- There is widespread agreement that housing construction will be a priority for a post-apartheid government and this suggests a targeted effort to develop the capacity of sectors that produce construction and civil engineering components. Similar considerations apply to the production of inputs required for mass electrification.
- An important element of South African manufacturing, representing considerable employment and capital stock, is engaged in 'low value' ends of several sectors – the clothing and footwear sectors are examples here. If our industrial strategy suggests ultimately vacating these ends of the sector, then it must simultaneously target the higher value ends of those sectors so as to facilitate the rapid movement of labour and capital stock into these new areas of employment. ☆

institutions and establish the processes that generate the underlying competitive capabilities, which will enable local manufacturers to respond to market incentives.

These then are the other two variables in our policy framework – capabilities and institutions. Pride of place is given to the need to enhance underlying capacities, in particular, our human resource and technological capacities as well as our very weak SMEs and micro-enterprises.

Human resource development and technological capacity are two indispensable elements in establishing a competitive industrial economy. However, the market is generally deficient in ensuring sufficient investment in these areas. Private investors tend to under-invest in human resource and technological development.

Despite the market's deficiencies, the returns that flow to society from investment in education and R&D (Research and Development) are unquestionably positive. Extra-market intervention to secure these competitive fundamentals is therefore essential.

Micro-enterprise and small and medium-scale enterprise – increasingly identified as a vital component of a competitive industrial structure – are also not well served by unmediated market forces, particularly in highly concentrated markets.

(c) Institutions

Institutions and institutional reform play a central role in our analysis. For example, the necessity of developing export-support institutions is emphasised. Our technology policy comes down strongly on the side of developing new institutions and reforming key existing institutions like the universities. In the area of human resource development, institutions like the National Training Board are accorded a significant role in policy formulation and implementation; and, in order to ensure necessary levels of investment in appropriate areas, we have emphasised the critical importance of industrial banks and extension services like

the IDC and SBDC.

Our concern with institutional development is driven by two broad considerations:

- ❑ Firstly, we have identified critical market failures in the areas of technology, human resource development and small and medium enterprise. Market failure has to be countered by institutions that guide or substitute for the market.
- ❑ Secondly, industrial policy is not a document or a plan, and it is not concluded by identifying a number of policy levers which, if pulled in the right direction by the right pair of hands, yield the desired outcome. Industrial policy is an ongoing process of policy formulation and implementation, reformulation and further implementation. It is, moreover, a process that must incorporate and galvanise the key actors in the manufacturing realm – labour, business and government – whose interests are

often sharply divergent, as well as actors who may not readily see the impact of industrial policy on their work: educators and scientists for example.

- ❑ We focus here on two key institutional aspects of industrial policy. The first concerns the critical arena of the trade unions, employer associations and statutory bodies that make up the industrial relations system; while the second concerns the process of industrial policy making and implementation. ☆

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The ISP policy framework: *incentives, capabilities, institutions*

1. Incentives

1.1 Trade policy

In respect of trade, our policy proposals include:

(a) Rationalised tariff structure: The South African tariff system is characterised by a vast number of minutely specified tariff lines and the massive divergence between the tariff

lines imposed. This tariff structure is fertile ground for rent-seeking and lobbying; it generates considerable uncertainty, and is an administrative nightmare. However, rationalisation must be pragmatically implemented. Some of the most successful industrial policies have relied upon a generally low average level of tariffs, but a high degree of divergence – effectively using the tariff structure as a means of softening the decline of a ‘loser’ or to target specific potential ‘winners’. In general, we would prefer to minimise the use of tariffs as a targeting device, although there are instances – in the automobile sector for example – where an unusually high tariff may be justified as a temporary expedient.

(b) Gradual reduction in tariff protection:

In general, we support a gradual reduction in tariffs. Whilst the average level of tariff protection in South Africa is not particularly high by international standards, protection of key intermediates raises the cost structure of South African manufacturing with a

predictable impact on our export competitiveness and the domestic cost of living. Protection of basic consumer goods, frequently designed to offset the impact of protected intermediates, is an important cause of the unusually high cost of living of low-income consumers.

The reduction in overall tariff levels should be timed so that the impact of employment loss in fundamentally uncompetitive sub-sectors is cushioned by new employment opportunities in other sub-sectors where there is competitive potential.

(c) Temporary protection for capacity building: We support the selective use of temporary protection to promote competitiveness. For example, while competitive potential in the 'low-end' of the clothing industry is limited, it is considerable in mid- and high-end production. There is an argument for protecting the latter sub-sectors, but only to enable the longer-term capacity-building measures to take effect. Similarly, we have identified potential areas of competitive advantage in the heavily protected auto assembly and auto components sectors. Realising this potential requires considerable capacity-building, rationalisation of the large number of assemblers, and the building of more effective relationships between component manufacturers and assemblers. Again, temporary protection is necessary to implement these changes. However, manufacturers who benefit from protection to advance their competitive potential must be subject to assessment in terms of detailed, pre-announced performance criteria which demonstrate concretely a positive relationship between temporary protection and increasing competitiveness.

(d) Export support: Tariff liberalisation alone will not promote export growth. A proactive export support programme is therefore essential. Despite the fact the General Export Incentive System (GEIS) is structured so as to reward manufacturers who would have expanded anyway, our sector studies found clear evidence that GEIS has a positive impact on manufactured exports. We

therefore support the maintenance and refinement of export subsidy programmes.

(e) Institutional reform: In the near future GATT requirements will constrain export subsidies, and there are strong grounds for devoting resources to developing GATT-legal or, at least, GATT-evading, subsidies. Examples include establishing an export bank, re-directing employer and trade associations away from securing protection towards international marketing of their output, and assisting small and medium enterprises to penetrate these markets.

(f) Appropriately-valued exchange rate: A recent study of 17 industrialising countries found that an appropriately valued exchange rate was characteristic of all the successful exporters. On the other hand, all those with an overvalued exchange rate performed poorly in export markets.

In many countries stability in exchange rates has been critical in inducing long-term investments in export-oriented manufactures, and a stabilisation fund may be necessary in South Africa.

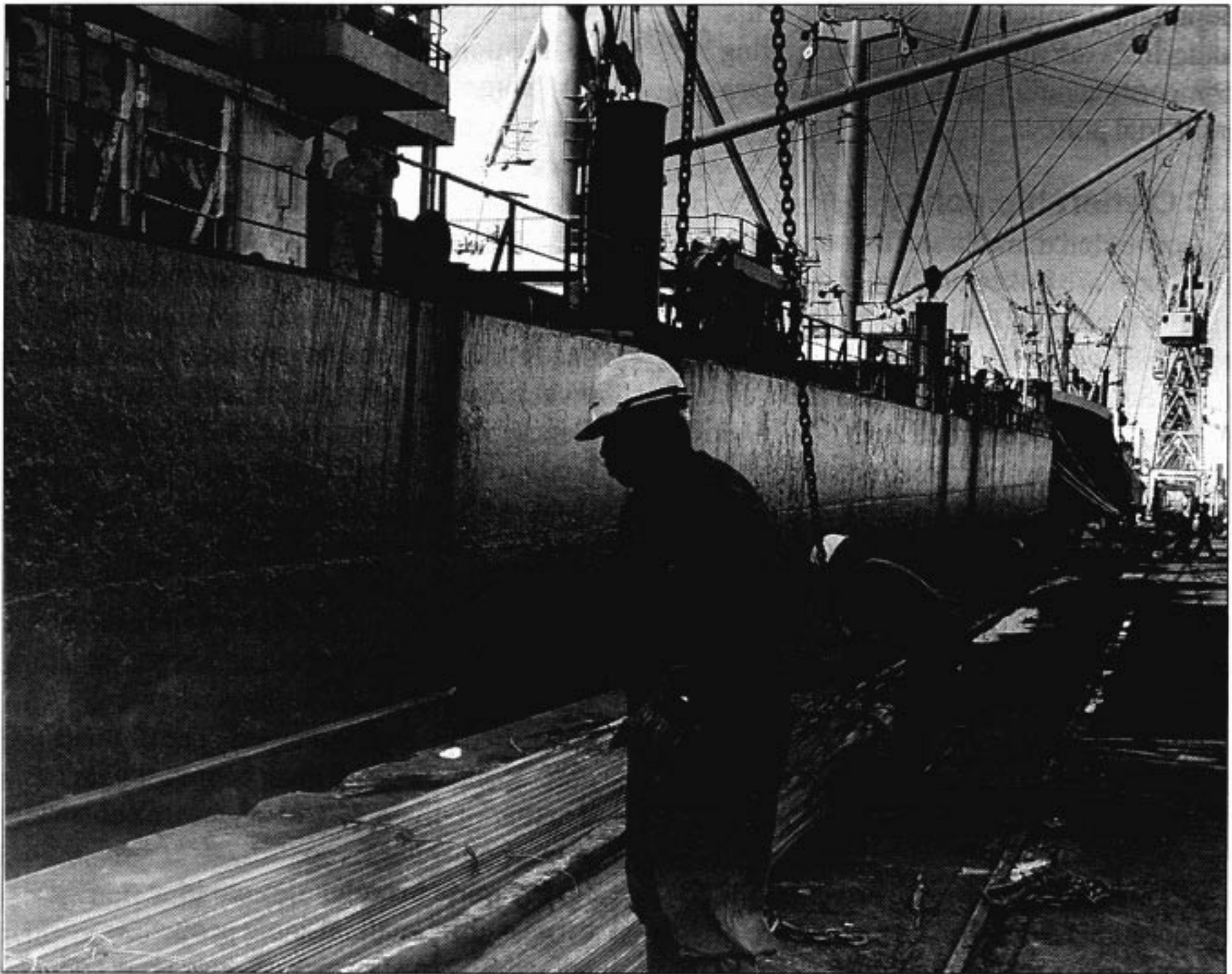
1.2 Competition policy

It is well known that South African product markets are exceptionally concentrated and that ownership is highly centralised. This is not only inequalitarian, but this also has a negative impact on manufacturing performance. ISP research has found considerable evidence of anti-competitive collusion between the large firms. This undermines the possibility of developing vibrant small- and medium-scale enterprise (SME).

It is not enough simply to subject conglomerate producers to international competition. For example, trade liberalisation may nominally challenge a dominant firm's position in its market, but its close corporate links with its major suppliers and retailers may continue to blunt competition in its favour.

ISP suggests the following policy response:

(a) Strengthen competition authorities: There is no ideal market structure.



Durban docks: can South African industry compete with cheap imports?

Consequently, our policy generally favours strengthening the investigative and punitive capacities of the competition authorities, rather than imposing a predetermined industrial structure. In addition, the Competition Board should be relocated to place it in the centre of the policy-making and implementation structure of government, namely, the Ministry of Trade and Industry. Currently the competition authorities report to the less-powerful Minister of State Enterprises.

(b) Monitor inter-conglomerate relations: In South African circumstances, it is particularly important to monitor inter-conglomerate relations. The widespread practice of 'conglomerate forbearance', where a conglomerate encourages one of its subsidiaries to refrain from competition against the subsidiary of a fellow conglomerate, lest the latter retaliate in an unrelated market, effectively dampens the

level of competition in two unrelated markets. In addition, structural features like interlocking directorships and cross-shareholdings between conglomerates and between their operating companies are increasingly commonplace. Such features underpin conglomerate forbearance and should be monitored. There is a strong case for prohibiting or limiting them.

(c) Defend small producers: Competition policy is generally intended to protect consumers. However, in South Africa, it is also important to use competition policy to protect small producers. Vertical integration between producers and their customers and suppliers, including the suppliers of finance, makes entry extremely difficult for small producers. Single firm domination of key markets renders small producers particularly vulnerable. The Competition Board should encourage inter-firm co-operation between small firms, particularly where they face

dominant suppliers and customers. This underlines the importance of integrating competition policy with the mainstream of industrial policy.

1.3 Ownership policy

Concentrated markets and ownership structures are linked and generate broadly similar problems. Large conglomerates are responsible for raising the costs of entry into many South African markets. Where control is as tightly concentrated as in South Africa, few people experience the incentives associated with a share of ownership and control. Hence minority shareholders, managers, and employees have no direct incentive to raise the productive performance of their enterprises. Rigid and extensive hierarchies, tempered occasionally by profit-sharing schemes and performance bonuses, are the principal means of motivating managers and workers.

Ownership concentration also results in a small number of highly diversified corporations controlling a major slice of the private sector. The six dominant conglomerates – Anglo American, Anglo Vaal, Rembrandt, Sanlam, Mutual and Liberty Life – each control major groups in the mining, manufacturing and services (including financial services) sectors. The manufacturing groups controlled by these conglomerates are themselves highly diversified.

This degree of diversification, particularly when coupled with tight control held in the group head-office, results in important inefficiencies. Strategic control is in the hands of controlling shareholders and managers who have little concrete knowledge of the operating companies. Monitoring of the operating companies therefore tends to be narrowly concerned with financial ratios.

There is substantial evidence that key South African companies have belatedly recognised these problems and have started 'unbundling'. This is essentially a process of focusing corporate activities, and has been most pronounced in the Sanlam-controlled Gencor Group, and recently in the Old

Mutual-controlled Barlows Group.

ISP policy recommendations include:

(a) Promote corporate 'unbundling' by, for example, prohibiting the listing on the Johannesburg Stock Exchange of 'pyramids' (companies that exist only for the purpose of securing the control of a single shareholder). Although unbundling will result in more flexible and more focused firms, it will not necessarily broaden the spread of corporate ownership and control (the unbundling of Gencor and Barlows, has not disturbed Sanlam and Mutual's respective control of the underlying operating companies).

(b) Examine control of mutuals: The Old Mutual and Sanlam are mutual societies nominally controlled by their policy holders, representing a broad spectrum of society. In reality, however, these corporations are controlled by their managers. The mutuals' control and structure must be investigated as a matter of urgency, with a view to enhancing actual policy holder control.

(c) Promote broader stakeholder ownership: Small business people, community trusts, workers, managers and other stakeholders are currently excluded from controlling major corporations. There may be grounds for limiting the equity stakes that financial institutions hold in listed corporations. This should encourage these institutions to lend their financial resources to the above groups, enabling such stakeholders to purchase ownership shares. It may also encourage the financial institutions to turn their attention to long-term loan financing.

(d) Strengthen corporate disclosure requirements: South Africa will (and should) continue to have large companies. Possibly the most important reform in this area, therefore, is to extend corporate disclosure requirements. Currently these requirements are very lax and should be extended to incorporate information such as the number of jobs gained or lost, new products brought onto the market, the level of exports, and R&D spending. This would create a different climate and set of expectations around the corporate sector. The process would be strengthened by tripartite

negotiations on performance criteria which determine companies' access to government support programmes and collective bargaining concessions.

1.4 The Cost of Inputs

It is widely argued that South African producers have to pay a premium on international prices for their key inputs, and that this is an important reason for poor manufacturing performance (see box: paper sector case study, page 56).

The premium paid for key raw materials and intermediates is frequently blamed on tariff protection. This is particularly significant in the protection of basic chemicals and textiles. ISP research in the white goods sectors noted, however, that many of the higher priced inputs – particularly the metal inputs – are produced from South Africa's natural resources, and yet domestic producers are still paying in excess of the world price. Our policy responses to these issues are:

- (a) support for a gradual reduction in tariff protection;
- (b) where South Africa produces these inputs at competitive prices and quality, they must be made available locally at the FOB international price;
- (c) where – as in the chemicals industry – South African producers are uncompetitive, special care must be taken to ensure that, if the tariff is to be temporarily maintained, it does not exceed that which

Electrification: boost, but no kick-start

The current institutional structure of the electrical supply industry holds back the electrical equipment industry.

Only 3.1 million of an estimated 8.8 million dwellings in South Africa have an electrical supply. Widening access to electricity and accelerating existing electrification is likely to be a priority for a democratic government. Spending on infrastructure, such as electrification projects, will provide a boost to the metal industry, especially the electrical distribution equipment industry. The electrical distribution industry gets electricity to where people can use it in their homes by manufacturing the cables, poles, switches, transformers, insulators and meters required to distribute power. To date, progress in electrification by ESKOM and some municipalities has resulted in 200 000 new connections in 1992 and up to 300 000 in 1993.

The key problems for the electrical distribution equipment industry are not internal but linked to the structure of demand ie the fragmentation in the electrical supply industry. There are 410 authorities responsible for distributing electricity and a multiplicity of tariffs and standards. Political and financial obstacles have to be overcome to implement a comprehensive national mass electrification programme – a goal set by the National Electrification Forum. Agreement on this programme will provide the boost the industry has been waiting for, as it has the capacity to supply equipment for treble the present rate of new connections.

Will this boost turn electrical distribution equipment into a winning industry to help kick-start the economy? Unfortunately, it is not so simple. Firstly, the demand for equipment for electrification at the present rate of connection is not, on its own, enough to keep factories fully occupied. Many are sitting with idle capacity of 25% or more. Secondly, this industry's biggest customers are other commercial and industrial firms, but the poor state of the South African economy has weakened those markets. Thirdly, the market for electrification equipment was about R450 million in 1992, and its share of employment was about 21 000. Thus accelerated electrification will not, on its own, kick-start the economy, but it will provide a significant stimulus that may presage a revival in the rest of the economy. ☆

is absolutely necessary to keep the local producer in business.

Evaluating the cost of labour is more complex. Generally speaking, SA wages are much lower than in the advanced industrial countries, and also lag significantly behind the Asian NICS – Korea and Taiwan. They are comparable to the Latin American NICs (Brazil and Mexico), and substantially higher than some of the rapidly expanding developing economies of Asia – China, Thailand and Indonesia.

Comparative wages must be evaluated in the context of relative productivity (for example, Italy is a major clothing exporter, despite its high labour costs). The thrust of our policy proposals focuses on increasing productivity, in line with an approach that treats labour as an asset whose value-creating ability is to be maximised, rather than a cost to be minimised.

Important aspects of our policy proposals tackle the cost side of the equation directly: (d) ISP's strategy of 'moving up the value chain' recognises that our relative wage costs will ultimately exclude us from areas of low-value added production, and accordingly focuses South African manufacturing on higher productivity areas that support higher and increasing wages.

(e) ISP's emphasis on policy measures aimed at lowering the cost of basic wage goods should reduce the upward pressure on wages.

(f) ISP's policies on the informal sector and multi-tiered bargaining provide for flexibility in recognition of the segmented character of South Africa's labour market.

Dealing with the cost of capital is equally complex. The cost of capital is to a large extent determined by factors beyond the scope of industrial policy (including political uncertainty and the high returns demanded by South African investors). However, the cost of capital partly explains low levels of investment in manufacturing. Our policy proposals here focus on the role of government investment and that of key parastatals and public corporations. There is an

important role for quasi-public industrial banks (such as the IDC and the SBDC:

(g) to catalyse private investment by committing their own considerable resources;

(h) to lower the cost of capital by 'socialising' part of the risk, that is, by using the public funds that they effectively control to underwrite private investment;

(i) to ensure that complementary investments are undertaken in sectors (from building materials to consumer durables) which will be supporting the Reconstruction and Development Programme, for example in housing and electrification.

2. Capabilities

2.1 Human resource development and work organisation

The development of human resources represents an essential capability for industrial efficiency. Substantial changes are required to the organisational structure of production if firms wish to sustain long-term productivity improvements. However, international evidence suggests that the effectiveness of these new organisational technologies depends on the level of training and skills at all occupational levels.

In the South African manufacturing industry, work organisation is characterised by a racially entrenched division of labour and strict, highly paid, but largely unskilled, supervision. This provides little incentive to management to acquire and deploy enhanced skills. This hierarchical form is bolstered by large earnings differentials, both within the workforce (between labourer and artisan), and between management and workers. Racial and gender differentiation in earnings remains a feature of industry. In this system, workers are treated as a cost to be minimised, rather than as an asset.

Manufacturing firms are constrained by poor skills:

- ❑ 45% of adult blacks cannot read or write less than 10% of our manufacturing workforce is trained to the level of artisan.



Students at Benoni Training Centre: a key component in 'intelligent production' strategy

- ❑ There is also a general underinvestment in enhancing human capabilities outside the factory gates. Whilst there has been an increase in the number of matriculants, the mean education level of the workforce is a mere 7,1 years.
- ❑ The education system is racially biased and skewed towards the tertiary level. The tertiary education system is, in turn, fragmented, with no movement from technical colleges to technikons or from technikons to university. Moreover, labour market opportunities tend to privilege universities rather than technikons. This largely accounts for the fact that South Africa has only eight technicians for every ten engineers. South Korea, by contrast, has 200 technicians for every ten engineers.

The objectives of ISP policies in this field are to increase productivity and promote efficiency in firms, and to empower workers and their organisations in the process. This requires a set of policies which draw together

the separate components of human resource development, work organisation, skill formation, and the remuneration system – *an intelligent production strategy*.

This rests on four interlinked ideas:

1. Constant skill acquisition: the establishment of a nexus between skills, grading, training and wages which allows workers to move up a career-path through the provision of training modules accredited by tripartite bodies.
2. Team work should be a consequence of the abandonment of restrictive work practices associated with narrow skills and strict job demarcations. This can lead to working conditions that deliver more interesting and rewarding jobs while promoting greater efficiency. The command style of supervision needs to give way to mentoring and leadership – 'from cop to coach' is the slogan.
3. Broadening the notion of productivity to include multi-factor measurements (labour, capital, materials, services) as

well as the social determinants of productivity. Productivity is not simply an economic ratio of inputs nor is labour productivity the only component of an enterprise's productivity index.

- 3.1 Multi-factor productivity measurements would need to include the areas of capital, management efficiency and work organisation. Management's ability to make available on time, the necessary materials and tools of sufficient high quality and to systematise the work flow in a rational manner to avoid unnecessary movement of work in progress and any bottlenecks are relevant to the measurement of productivity.
- 3.2 A number of social determinants also affect this measurement. These include low job satisfaction among workers, limited participation, racial animosity, lack of promotion or increase in earnings resulting from training, multi-tasking to avoid enhancing skills, racist and incompetent supervision, attempts to undermine the union and broader social problems such as poor transportation and inadequate housing.
4. Co-determinist practices which provide for a co-operative and skilled approach to the design of products and processes. This requires that worker rights are acknowledged and respected, and unions are treated as joint partners in designing and overseeing innovations in work organisation and human resource practices.

This holistic approach is to be distinguished from piecemeal attempts – increasingly popular in South African management circles – to selectively introduce elements of a Japanese 'lean production' strategy as evidenced in the proliferation of 'quality circles', 'suggestion schemes' and 'participative management'.

Further policies include:

(a) A national education and training system which links schooling, adult education, tertiary education and corporate training into a coherent human resource development policy. This should allow portability of skills

South African industry spends too little on R&D: ISP proposes strategy to change this

and engender flexibility in the provision of learning with ease of entry and exit.

(b) Within this system, the focus should be on skill acquisition and adult basic education (ABE) for the incumbent workforce and other adults who were deprived of basic schooling, rather than a blanket and unfocused investment in general education.

(c) Companies will need to combine any investment in new hardware or technology with investments in human resources and changes in organisational practices.

(d) Restructuring the National Training Board set frameworks for training, develop occupational certifications and set competency standards for each industry.

(e) Providing access to this education and training system to those outside of formal employment.

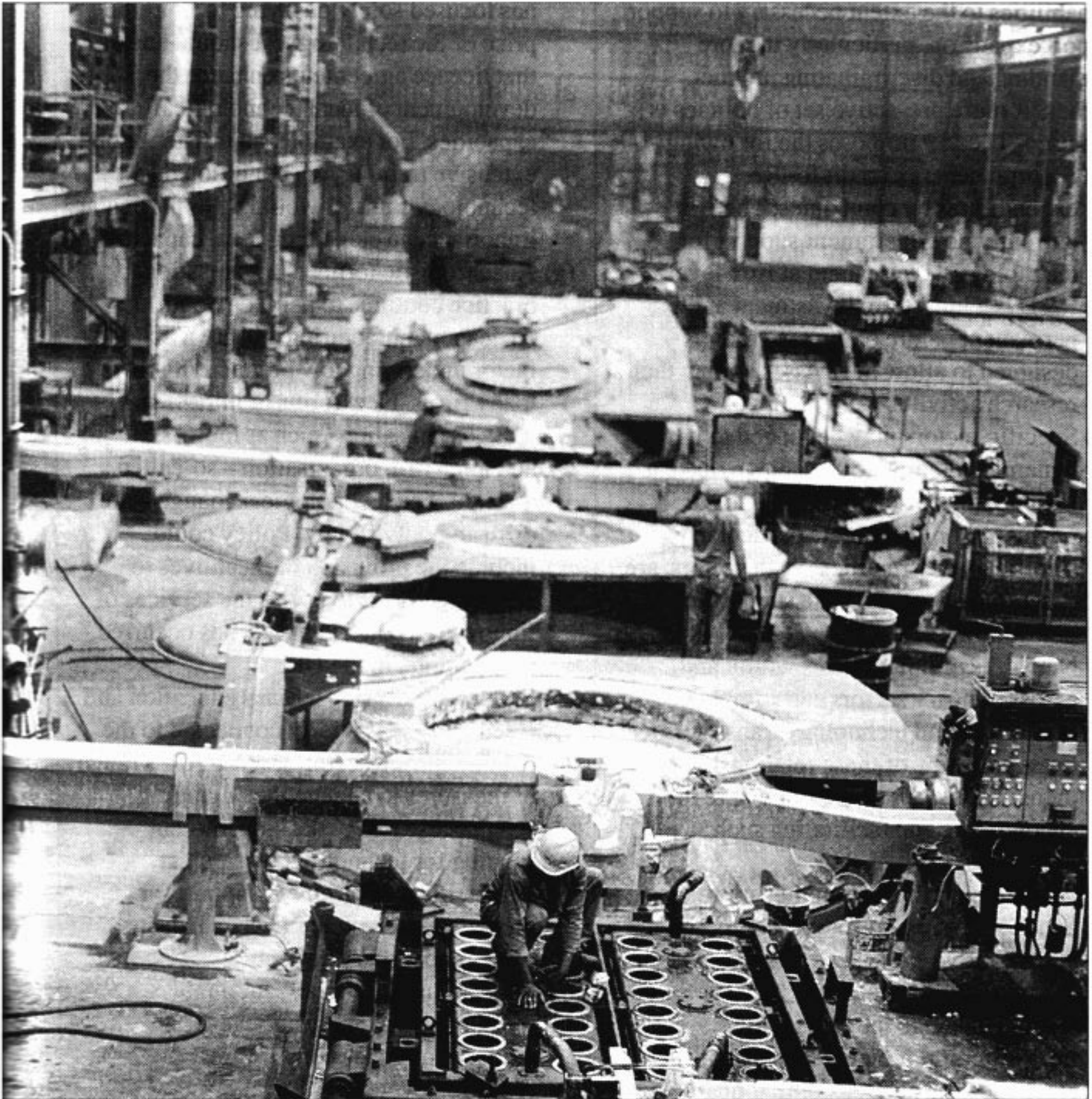
(f) Ensuring that all firms invest in ABE and training (and that this meets uniform standards), possibly through the imposition of a training levy.

2.2 Technology

Enhancing South Africa's technological capacity is one of the most urgent and important tasks confronting industrial policy.

ISP research has highlighted several





issues in relation to technological capacity. South African firms have, off a relatively low base, shown a reduced commitment to R&D expenditure. In the chemicals industry, for example, South Africa's three largest companies devoted a little under 1% of turnover to R&D spending in 1990 – much lower than similar companies in other countries.

There is clear evidence that in some sectors, notably electronics, smaller firms operating in the more competitive sectors of the domestic market spend comparatively far more on R&D than do large firms which dominate their particular product markets.

There also seems to be an association (for example in the auto, auto components, and telecommunications equipment sectors) between more active participation in export markets and firms' tendency to enhance their technological capacities. Those findings suggest that a more export-oriented trade regime, import liberalisation and the promotion of competition on the domestic market will be integral to the design of policies aimed at enhancing the technological capacities of South African firms.

However, merely enhancing competitive pressures on local manufacturing firms will not lead to the development of technological

capabilities to the extent necessary to support export expansion, particularly in more demanding and discriminating product niches. A more pro-active set of policies is required. The ISP proposes the following:

- (a) A permanent tax credit for R&D expenditures by companies. There is currently no government support for technology development at firm level R&D is a long-term investment and the permanent nature of the tax credit is designed to allow businesses to plan their research activity.
- (b) Specific sectors may be judged to have a dynamic potential, or be able to make a major contribution to the balance of payments, or to generate particularly significant externalities. Such sectors, are deserving of special state support for innovation.
- (c) Networks of linked firms within and across industry sectors can stimulate innovation and technology transfer. Local firms have few of these relationships and there is a role for state policy here in encouraging and facilitating such networks.
- (d) In particular, there should be more pro-active state support for pre-competitive collaborative R&D between firms. There is a particular opportunity here for South Africa, linked to the large scale infrastructural projects such as housing, electrification and telecommunications.
- (e) Creation of a Sector Partnership Fund to make funds available for projects that strengthen the sector's technological capabilities. Such a fund would help build co-operative relationships between firms within the same sector, and between management and labour, and would reinforce processes which advance co-operative solutions to sectoral problems.
- (f) Policies to promote the more effective assimilation of imported technology, including limiting the restrictive clauses entailed in the licensing of technology from abroad. Currently, the Department of Trade and Industry monitors applications to licence technology, but

has focused solely on trying to limit the price of the technology. It should ensure that licence agreements enhance the development of local technological capacities. For example, an insistence on extensive training as a condition of technology transfer would be of particular importance in enhancing local capacities.

- (g) Anachronistic forms of organisational practice continue to pervade South African manufacturing and are a major factor underlying low productivity in many firms. New forms of intra-firm work organisation (such as multi-skilling) and inter-firm organisation – so-called disembodied technological change – are diffusing only slowly. Policy could include the provision of incentives to encourage firms to utilise the services of 'innovation consultants' as has occurred, for example, in the UK.
- (h) South Africa's rich tertiary education and research base is poorly connected to the manufacturing sector. ISP suggest a range of measures to change this including science research perks, government funding for technology research at universities, government support for increased interaction between industry, labour and tertiary institutions.
- (i) Policy must specifically facilitate and support the acquisition and diffusion of technology for SMEs. We have developed several proposals where SMEs could gain access to technology, finance, training, advice and information.

2.3 Small and Medium-Scale Enterprise

Industrial success is rooted in a diversified industrial structure. Hence, whilst Taiwan's small enterprises have undoubtedly played an important role in that country's remarkable manufacturing performance, some very large, usually state-owned, enterprises at key points of the production chain have also been crucial. Similarly, the contribution of Germany and Japan's great factories and groups should not allow us to ignore the critical significance of

The textile-clothing pipeline

The textile-clothing-retailing pipeline is one of the longest pipelines transforming raw materials into consumer goods.

A US study, showed that for 85% of the time the textile product is in the pipeline it is not actually in production, but in the stores before or after production.

Thus, for 83% of the time, no value is being added to the material. Even worse, it is adding to the cost of the producer as storage-cost and opportunity-cost of the capital tied up in stock holdings. It is therefore important for the survival of all the sectors in the pipeline to increase their organisational efficiency by reducing stock levels and work-in-progress time throughout the pipeline. One way of doing this is to develop a Quick Response (QR) approach.

The first concerted effort to apply QR in South Africa took place in 1988, when a Textile Pipeline Workshop was organised and attended by representatives of the textile, clothing and retail sectors. No less than six potential pipeline projects were suggested, with two of them even specifying targets they wished to achieve in reducing the pipeline cycle.

However, not much progress has been made in the projects between the pipeline partners, even though considerable effort has been made by individual retailers and manufacturers to undertake QR pilot schemes.

Dr Boer of the NPI, without mincing his words, has attributed the lack of success of QR in South Africa's textile pipeline to retailers.

"In the USA the quick response programme was initiated and driven by some of the most highly respected textile and clothing manufacturers such as Milliken, Levi Strauss and Haggard Apparel. Retailers are sophisticated and were quick to co-operate in order to gain

the financial benefit. In South Africa, the clothing and textile industry leaders have not taken the challenge and clothing retail is controlled by approximately six leading retailers who have on the whole failed to honour the co-operative Quick Response agreements with their suppliers. Quick Response means a partnership and a partnership can only succeed if there is no duplicity. Regrettably, local retailers have not played the game, and as they hold a position of power over the other partners in the textile pipeline, Quick Response has not succeeded in South Africa to date."

There are other problems. Many retail chains engage in such high mark-ups that they stifle demand for the products of textile and garment producers. One consultant gives the example of two clothing factories that sold certain garments for R120 to R180 to chain retailers which marketed them for between R700 and R800. Upon his recommendation, the factories found alternative retail outlets where the garments marketed for between R300 and R400. Once the prices fell, the factory demand for the garments rose again. He also maintains that cost savings made by textile and garment factories are not passed on by major retailers to the customers.

Another very important factor in adopting a Quick Response in the textile industry in South Africa is the need for industrial stability. An industry characterised by frequent or unpredictable strikes and work stoppages would have difficulty adopting 'Just In Time' methods of production. It then makes more sense to adopt a 'Just In Case' approach with large amounts of stock. In this, the roles of the union, company management, and the industrial relations system are all crucial. ☆

SMEs in the economic fortunes of these leading industrial economies.

South Africa's industrial structure is acutely imbalanced. Large factories and corporate groups that span the manufacturing sector are coupled with weak SMEs and a particularly low level of manufacturing activity in the informal sector. Many of the policy proposals already developed in this report are intended to encourage the growth of dynamic SMEs and include:

- a competition policy that is directed at supporting small producers;
- a technology policy that supports technology development and diffusion amongst SMEs;
- the proposal that the parties to collective bargaining arrangements accept, in specified circumstances, a multi-tier wage structure, is partly intended to support SMEs.

In addition, SMEs require:

- (a) A more supportive financial environment. The adage that 'it is much easier to borrow a billion rand than a million rand' is strongly borne out by our research. The concentration of savings in the hands of extremely risk-averse life insurers, and the strong ties between the financial institutions and the dominant manufacturing and mining groups, makes for a financial environment that marginalises the SMEs, and, particularly, potential new entrants. The IDC and the SBDC, as the major financial institutions with a specific mandate to support SMEs, should be playing a much greater role.
- (b) Enhanced inter-firm co-operation between SMEs. International experience suggests that this may be the most effective means of supporting these enterprises. Policy directed at promoting inter-SME co-operation should be sector-specific and focused on existing local agglomerations (such as Western Cape clothing factories, metal-working on the East Rand, and furniture factories

clustered in Johannesburg and the West Rand). It should include worker training, industrial relations, export marketing, as well as the technology policies mentioned earlier.

- (c) An active regional and local policy to bring together local agglomerations and those institutions that may be able to enhance inter-firm co-operation, such as trade unions, employer and professional associations, industrial councils, the IDC and the SBDC, various government departments and agencies, universities, technikons, and local governments.

2.4 Micro-Enterprise (informal sector)

Micro-enterprises face constraints which are quite distinct from those facing SMEs. The weakness of informal sector manufacturing activity in South Africa is largely a result of apartheid. Low skill levels, poor residential infrastructure, prohibitions on land ownership, and severe limitations on the type of economic activities permitted in black residential areas, are a few of the more serious barriers. There are five ISP policy proposals towards micro-enterprises:

- (a) Improvements to the general physical environment for the majority of the population will have a more dramatic impact than more targeted policies designed to ease access to finance or to enhance managerial and technical skills. Our research has confirmed that poor housing and poor access to telephones, transport and electricity are the most substantial obstacles to the growth of the informal sector.
- (b) Easing access to finance and improving managerial and technical skills. Although our researchers encountered scant respect from members of the informal sector for many existing training programmes (derisively referred to as 'bush MBA's'), they were generally viewed as means of access to other facilities – finance or premises – that the training institution offered.
- (c) Measures aimed at the informal sector

should be sectorally focused – there is a world of difference between the opportunities and constraints facing burglar bar manufacturers on the East Rand and clothing sub-contractors in the Western Cape. Furthermore, there are important intra-sectoral differences that policy should take into account (see box: on this page). Most current programmes aimed at the informal sector are inadequately focused.

3. Institutions

3.1 The industrial relations system

A central conclusion of the ISP is that the key to successful industrial regeneration is a form of corporate governance and industrial relations which taps latent skills and human capacities. This requires both significant investments in human resources and a structured, continuous engagement of labour in corporate decision-making. This, in turn, necessitates the transformation of our industrial relations system.

The key proposal is to develop a multi-tiered system of industrial relations with three levels:

- The national level (including tripartite institutions such as the National Manpower Commission, the National Training Board and the National Economic Forum) should deal with the integration of policies concerning the labour market, employment, education and training, and the macro-economy.
- The sectoral level, where industrial council-type negotiations covering traditional collective bargaining issues (including the determination of the minimum wage applicable to each level of skill and across-the-board increases) will continue and

Case study of the informal clothing sector

In clothing – a site of growing informal sector manufacturing – there are three clear groups. There are highly skilled tailors and seamstresses producing high quality garments to order. There are groups of 'houseworkers' entering into contracts with formal sector producers, designers and retailers. And there are poverty-stricken individuals producing cheap and undifferentiated pinafores for other, often equally poverty-stricken, individuals.

The first of these sub-sectors is unlikely to benefit from the attention of industrial policy. The third is more likely to benefit from a general rise in working class income, than from small business hives and management courses.

The second sector – the houseworkers – warrants close attention. Their activity impacts directly on the cost structure of the industry's formal centres of activity. Moreover, groups of houseworkers are frequently co-ordinated by a skilled clothing worker-turned-entrepreneur earning considerably more than in the formal sector. The houseworkers are generally themselves experienced clothing workers, working in appalling conditions with little security and no fringe benefits, but often earning not much less than they took home from their erstwhile formal sector employers. And, finally, this sub-sector is growing, and – if both our own research and international experience is anything to go by – it will continue growing.

This is a sensitive area for policy intervention. Many of the jobs in this sector reflect direct job losses in the formal sector, and much employment is 'sweated' in the most miserable sense of the term. However, we are not confident that this activity could or should be regulated out of existence.

Above all, our small sample already persuades us that a core of these micro-enterprises are on the verge of becoming effective formal small enterprises. Promotion is likely to bring them into this fold, swelling regulated employment; repression will drive them back into the ranks of sweated labour. ☆

should be extended across the economy. This level should provide flexibility for particular companies, sub-sectors or regions to allow for exemptions from the agreed wage rates for a specified period. The sectoral level will also set the framework for enterprise bargaining for that industry. Activities at this level must interface with other pertinent sectoral initiatives, for example, the restructuring initiatives in the clothing and textile, electronics and automobile sectors.

- ❑ The enterprise level, where bargaining over the organisation of work, job design and access to skills and training should occur. Different forms of governance that enhance greater worker involvement in company decision-making, including participation on boards of directors, should be explored here. In addition, provision should be made for productivity bargaining. Enterprise-level bargaining is principally required in order to alter and reorganise outmoded forms of work organisation, thus securing the productivity increases that are central to our industrial strategy. Productivity-related wage increases would arise out of changes to work organisation rather than as a result of reducing labour costs (through retrenchments, loss of benefits, longer hours, contract labour, factory closure and the like).

The approach developed here suggests a legislative framework which provides for the inclusion of employees in corporate governance and strategic decision-making. Bargaining would be facilitated by appropriate legislation concerning managerial prerogatives at plant level, board-level co-determination and mechanisms to facilitate sectoral-level bargaining over skill levels, wages, training and grading.

In addition, non-legislative mechanisms

should be found to develop workplace institutions of industrial democracy at enterprise level and joint management/labour consultative committees.

The envisaged industrial relations system should:

- ❑ be comprehensive in its coverage rather than rooted in voluntarism;
- ❑ establish clear bargaining forums for every industry;
- ❑ embody a system of positive rights and duties both collective and individual; and,
- ❑ encourage the emergence of strong centralised union and employer bodies.

Currently, key sectors of manufacturing — for example, paper and pulp and chemicals — do not have employer bodies, so that unions in these sectors do not have bargaining partners. Incentives must be extended to employers to



Union organiser visits workers at workplace: ISP proposes plant level bargaining on job design and productivity

organise themselves at industry level. One such incentive derives from the expected productivity improvement flowing from the enhanced skill levels of the workforce achieved through the nexus of skills, wages, grading and training. Since this nexus can only be bargained at the sectoral level for industry as a whole, unorganised sectors will be denied these likely benefits.

For this bargaining to be successful, and for it to promote effective negotiation and adherence to agreements, the parties to the industrial relations system will need to enhance their organisation and representivity as well as, where necessary, upgrade their professional and technical expertise. The union movement, for example, needs to reflect on its current structure and organisation and assess whether it is conducive to active engagement in industrial restructuring issues



on the shop floor and in national fora. Questions of capacity and human resource infrastructure will be highlighted as demands are made for sophisticated plant-level negotiations over work design, productivity enhancement and co-determination. Both unionists and managers will require increasing skills and expertise. The Sector Partnership Fund (see page 68 section 7.2) could be fruitfully applied to enhance such skills.

3.2 Industrial policy formulation and implementation

Tri-partite policy formulation and implementation requires an institutional basis. There are three ISP recommendations here:

- (a) Strengthen the National Economic Forum, the embryonic institution of industrial policy formulation. This could include statutory protection of the NEF and would also require government financial support for its day-to-day operations. Without this support, resources will clearly be very unevenly spread amongst the three parties to the NEF.
- (b) Strengthen and extend sectoral institutions to other sectors of the economy: Tri-partite structures in the clothing and textile, automobile and electronic sectors are embryonic forms of the required institutional structure at this level. The proposed Sectoral Partnership Fund would be controlled by these *tri-partite sectoral institutions*.
- (c) Co-ordination: Finally, these national and sectoral institutions and initiatives must be co-ordinated, as must the relationship between industrial policy formulation and other pertinent activities and institutions. This co-ordination would of necessity extend across the full range of economic and social policy. The Reconstruction and Development Programme is the first attempt at comprehensive co-ordination of these initiatives. The institutional form of this co-ordination is a democratically elected government, an accountable civil service, and an independent and well organised civil society. ☆



George Nene

Strike at ABI

Report by ZOLILE MTSHELWANE

As Amalgamated Beverage Industries (ABI) workers return to work after a four-week wage strike, the future of industrial relations at the bottling magnate can never be the same again. In its wake, the dispute left four non-striking workers dead. Scores of strikers were injured when management at one of the ten plants in the dispute called in police to disperse a meeting on company premises.

All 2 500 striking workers were members of FAWU, which called on consumers to boycott ABI products in support of workers' demand for a 16% across-the-board increase, as opposed to ABI's offer of 10%. The strike was resolved on 28 January when FAWU and ABI agreed on a 13,1% across-the-board increase. The increase will be effective until 31 March next year.

The strike started on 31 December after more than 3 700 workers had voted in a strike

ballot, with 76% in favour of the strike. The strike affected all the eight ABI plants in the PWV area and the other two in Durban.

The union urged consumers not to buy Coca Cola products or allow Coca Cola deliveries in townships. It accused the company of:

- negotiating in bad faith;
- union bashing;
- racism and job reservation; and
- stalling negotiations.

George Nene, national chairperson of the ABI shopstewards council, is convinced that the boycott call was necessary. "We agreed that management would not feel the effect of the strike as long as people were drinking their product," says Nene.

But what of the 'new era' of co-operation said to be dawning in South Africa? Is this not happening at ABI?

Not according to Nene. "ABI management is racist and reactionary," he argues. "For example, job reservation is still in effect. There are no blacks in senior management categories. In all ten plants, there is no single black plant manager, personnel manager or general sales manager." Nene also says that it is not unusual for management to apply the disciplinary code selectively. "There are cases of white managers who flout the code and are never disciplined accordingly. When we raise this at meetings with management, we are told that such cases warrant confidentiality, and that will be the last we will ever hear about the matter."

Nene believes that ABI management only pays lip service to sound industrial relations. "All in all, there is no 'new era' dawning at ABI as far as industrial relations are concerned," says Nene.

How, then, was the boycott enforced? Were businessmen and consumers coerced to support FAWU's call?

Nene says it is not FAWU's policy to intimidate people to support the workers' struggles. "However, we received calls from some businessmen in Mamelodi, Pretoria and the East Rand complaining of intimidation by some striking members. This included the breaking of fridges, soft drinks bottles, and so



on. We met with these businessmen and assured them that it is not our union's policy to antagonise potential supporters."

Although he stressed that progressive organisations were fully consulted and their support canvassed over the strike and the product boycott, Nene concedes that the consultation process with black shopowners and other businessmen was not sufficient, especially in Mamelodi. "We apologised to them for failing to consult them at the beginning of the strike."

Nene is also not convinced that ABI deserves its publically proclaimed status as a well-paying employer. "The fact that the lowest-paid worker at ABI earns R1 800 a month is not because of the bosses' goodwill. This is due to the struggles we have waged, whereby higher earner scaled down their increases so lower earners could earn more. This has been happening since FAWU started organising at ABI nearly eight years ago."

Nene gave the example of the average driver, who, he says, earns R2 000 a month

before tax. "This is very low given the responsibility a driver has to shoulder. He is responsible for the stock, for its delivery, driving the heavily-loaded trucks, supervising the delivery crew, handling cash and promoting good customer relations. At the end of the month, he ends up with a take-home pay of about R1 500."

Nene believes the product boycott contributed to softening management's attitude. "When the Soweto Chamber of Commerce and Industry (SCCI) sent a fax to ABI raising concern about the dispute, the company sent one of its managers to the township to try and convince SCCI members not to support our boycott call," he recalls.

Nene is not optimistic that ABI management will review its "racist, reactionary" posture with the end of the strike. Rather, he believes ABI workers still face an uphill battle. "Whatever changes are going to take place at ABI," Nene says, "we will have to struggle hard to convince the bosses to agree to." ☆

Split or splinter?

breakaway from SACCAWU

Report by ZOLILE MTSHELWANE

Mike Tsotetsi is a soft spoken man who strikes you as sincere about what he believes in. He never raises his voice or loses his cool when asked 'provocative' questions. Tsotetsi was Wits regional secretary of SACCAWU when he was suspended on 10 June last year and subsequently dismissed in November. Tsotetsi is now the main, visible figure behind a new union, the Clerical, Commercial, Catering and Allied Workers Union (CCCAWUSA), which he runs with other former SACCAWU officials.

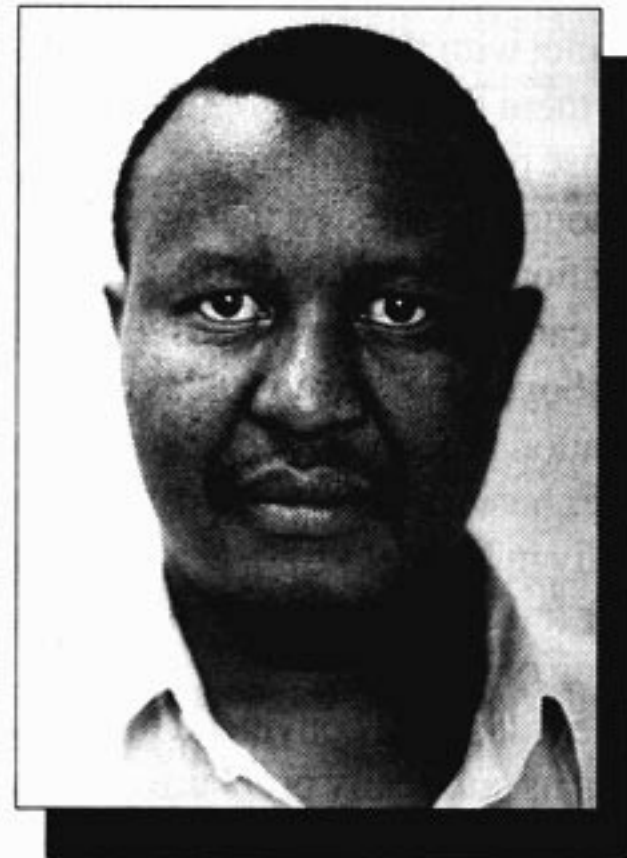
Tsotetsi admits that his dismissal was linked to charges that he was mobilising Joshua Doore group workers to withhold their subscriptions from SACCAWU, which charges he denies.

But Papi Kganare, general secretary of SACCAWU, says that one of the Joshua Doore shopstewards "spilled the beans" about this campaign. Tsotetsi held a meeting with about eight Joshua Doore shopstewards and encouraged them to stop paying their subscriptions to the union. A special NEC meeting decided to suspend him and five others who were involved in this campaign, says Kganare. After he was suspended, he continued to present himself as a union official, he addressed workers and negotiated with the Joshua Doore bosses on behalf of SACCAWU. An inquiry was held in November at which he was dismissed.

Tsotetsi says his union started operating in January this year and will be launched at the end of February. "The main reason for forming a union was because of the grievances that I and other Wits regional organisers had about the general administration of SACCAWU and the lack of services to members," says Tsotetsi. His new

union will "cater for the interests of those neglected and unorganised workers in the industry". He lists Spar supermarkets, workers in small towns and businesses that employ a small number of workers as potential members for his new union. "We will not necessarily go out to organise SACCAWU members. We are not membership thirsty," says Tsotetsi. "But if disgruntled SACCAWU members approach us to join, we will enrol them when we are convinced that they have genuine reasons of wanting to leave SACCAWU. After all, we believe in freedom of association for workers."

Kganare maintains that the foundation of Tsotetsi's union can be traced back to May last year. "This was when officials like Tsotetsi and former assistant general secretary Kaizer Thibedi held meetings with a Pretoria-based splinter



Mike Tsotetsi

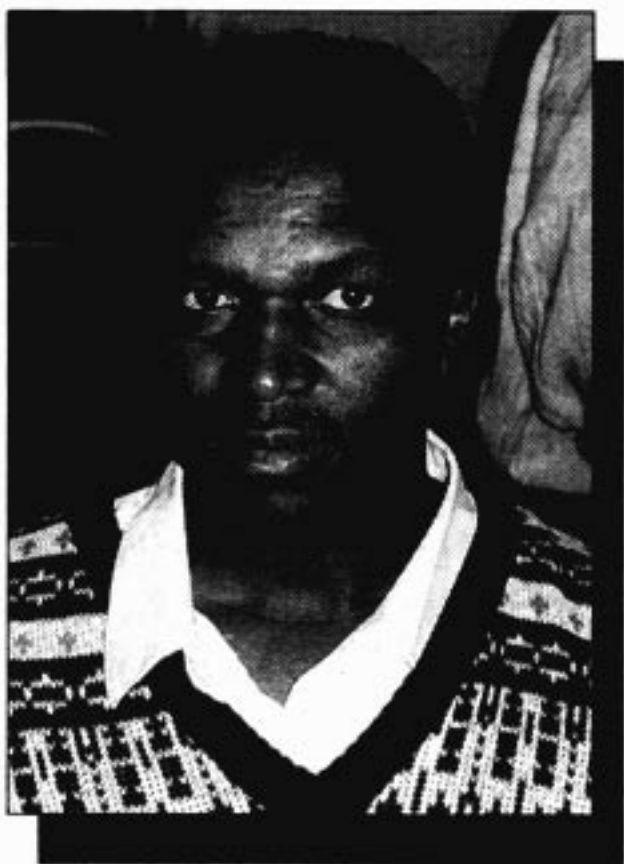
union," says Kganare. They were hoping to join forces with this union, to destabilise SACCAWU.

Kganare admits there were malpractices in the financial affairs of the union, but these related to the failure by finance officers in the head office to keep proper records of the union. "The three finance officials were instructed to

provide these records to the auditors, and when they failed to do so were dismissed from the union," says Kganare.

Tsotetsi claims that his union has 4 800 members, including members of the Entertainment Workers Union, which has now merged with it. But Kganare insists that Tsotetsi and his group have failed to sway workers from the Joshua Doore group to join his union. "Those workers are still with SACCAWU. We have not received a single resignation form from them. The only place where they have majority members is in the Price and Pride stores in Johannesburg and about 20 workers in the Border region." Kganare says SACCAWU is not worried by this clerical union. We have examples of unions like FEDCRAW that was formed when Sales House workers broke away from CCAWUSA, the forerunner of SACCAWU. But after some years those workers have come back to the union.

Kganare believes that Tsotetsi and his group are a "dishonest bunch. For example, Thibedi never complained of corruption while he was employed by SACCAWU. But as soon as he



Papi Kganare

resigned, he started trumpeting the corruption tune. The only problem they are causing us is the current court case they have instituted to have SACCAWU dissolved," says Kganare.

And where do they get the money to run their union which has five organisers and an administrator? Tsotetsi is not saying, he claims

that they still owe rent for the month of January for their spacious office in Jeppe Street. Kganare says he is convinced there is an organisation behind the breakaway union. "Otherwise how can Tsotetsi and his group afford to pay legal fees for the case to dissolve SACCAWU?"

Although Tsotetsi denies that there are political undertones to the formation of his union, political tensions within the Wits region have dogged the union since its adoption of the Freedom Charter in the 80s. The acrimony within SACCAWU that followed this decision saw the union split down the middle, so much so that at one COSATU congress there were two SACCAWU delegations, as was the case in all COSATU structures. It appears as though the anti-Freedom Charter grouping, for lack of a better description, now feels that they have no prospect of gaining political control of SACCAWU, thereby resorting to the formation of a new union.

Other unions that were formed by splinter groups from SACCAWU have not made much headway in eroding the union's membership where it matters most. Major chainstores and supermarkets are still organised under SACCAWU and show loyalty to the current leadership.

There is an element of truth in what Kganare says: "The question of lack of service is not something that Tsotetsi and his group can solve. Most unions have problems of this nature, but they cannot be solved by forming splinter unions." Kganare believes that workers who leave SACCAWU to join Tsotetsi will see through them and will come back to their union.

Forming a union is an easy thing to do, but ensuring its growth and survival takes a lot of hard work and honesty in dealing with workers, the bosses and other interest groups in the field. It is early days yet to pass judgement on whether the new union will stand up to this challenge. But the question is whether any substantial numbers of SACCAWU members will want to break away from an established union and join an unknown entity with an uncertain future. ☆

NUM Congress

Report by KARL VON HOLDT

Political change, organisational consolidation and gaining greater influence in the mining industry were the key items on the agenda at the NUM congress held in February. However, for the most part the congress simply firmed up already existing policies, rather than adopting any radically new policies.

Politics

The union confirmed its full support for the ANC election campaign. But, in his presidential address James Motlatsi warned that "our relationship with the ANC is not like a one-way street. We shall fight to the last to get the ANC into government, but we expect something in turn.... We expect the ANC to support our fight against the mine owners. It cannot sit on the fence and act as an arbitrator between the union and the mine owners." Motlatsi said that the union wanted substantial measures that would show that "liberation is an emancipatory process touching every aspect of the lives of black people in general and mineworkers in particular".

This perspective was expressed in a congress resolution that the union should "jealously guard the tripartite alliance" so that the "ANC-led government remains working class biased." The resolution also states that NUM members should play a "leading role in ensuring that the ANC and SACP remain mass-based as opposed to being totally swallowed into the parliamentary process," and that a conference of the left, with a socialist bias, should be convened by the SACP and COSATU.

Influence in the mining industry

The NUM's emphasis on a strong alliance with an ANC-led government is partly a reflection of the balance of class power in the mining industry. The giant mining companies are enormously powerful, and the union has



made very little headway in gaining access to decision-making either at mine or industry level. The mining summit has reached no agreement on NUM's proposals for union involvement in managing the industry. Clearly if the union is going to make any inroads it will have to rely on strong state backing.

In line with this core concern, the congress reaffirmed its call for the new government to pass a Social Plan Act that would compel employers to negotiate "all significant workplace changes" with workers and their unions, and to amend the Companies Act to provide full disclosure rights for workers. The congress also resolved that the ANC should press a government of national unity to "provide a framework for the full participation of the union in running the mining industry in the interim period," and that the ANC should establish a commission to "draw up a detailed blueprint for the operation of a commonly owned mining industry" once the five year period of power-sharing is government has passed.

It is likely that NUM will run into stiff



resistance from the ANC on this latter clause, since all current policy makers oppose public ownership on such a scale. However, union insistence may be softened if it wins substantial rights to "full participation". But even this the ANC shows few signs of being keen to deliver. Precisely because of the NUM's expectations of state support, the relation between the union and the ANC may come

under strain sooner than in other sectors.

Consolidating organisation

The NUM is consciously engaged in consolidating organisation. The union is the biggest in COSATU, with 260 000 members -- a remarkable achievement, given the scale of retrenchments in the mining industry. Losses have been offset by membership gains at Impala Platinum (platinum is now the second biggest sector after gold, and before coal), at ESKOM and at Goldfields, and the union has 10 000 more members than at its 1991 congress. The target for 1997 is 400 000.

The foundation of NUM's organisational consolidation is its financial health. The decision to make membership subs 1% of wages, coupled with the relative ease of administering subs from a small number of massive workplaces, has made NUM the most self-sufficient of COSATU affiliates. This enables the union to improve its servicing capacity as well as its specialist departments.

In order to strengthen its organising efforts, NUM has decided to devolve organisational responsibility from head office to the regions.

A resolution to strengthen the head office secretariat by adding a third national secretary was withdrawn, although a resolution for two elected office bearers in each region to become full time officials was adopted.

Other points of interest at the congress include:

- ❑ **Affirmative action:** Congress resolved that affirmative action be legislated and monitored and non-compliance be punishable by law. Motlatsi warned against "tokenism" and black "stooges" at management level, and argued that the union should concentrate on removing obstacles to the advancement of black mineworkers in production and technical services. Motlatsi accepted that it would take time for more blacks to move into staff positions outside the actual mines.
- ❑ **Unity:** Motlatsi warned that the end of apartheid meant that the liberation movement would tend to fragment, conflict would develop between communists and anti-communists, and factions would emerge in unions. Some unions would go bankrupt because of financial pressure, others would be forced to concentrate on their own survival and "jettison fine ideas about alliances with other unions in national and community developments. COSATU will suffer." In post-apartheid SA "there will be a lot of weak links." Unions should work hard to preserve unity, and for this open and healthy political debate was necessary.
- ❑ **Development:** NUM has the most highly developed 'development wing' in COSATU. It has started 30 co-operatives for retrenched mineworkers, and has a job creation unit which trains retrenched workers and facilitates seed finance for their businesses.
- ❑ **New office-bearers:** Gwede Mantash was elected assistant general secretary. A former mine worker, he is known as a dynamic organiser and a committed member of the SACP, Senzeni Zokwana was elected vice-president. ☆

Dealing with the IMF: *dangers and opportunities*

VISHNU PADAYACHEE* assesses

different views on the potential role of the International Monetary Fund in SA, and discusses the importance of macro-economic balance and stability. He points to the dangers IMF interventions hold for democracy, and criticises the way the ANC dealt with the recent IMF loan to SA.

Recent negotiations about an IMF Compensatory and Contingency Financing Facility (CCFF) of \$850m has raised the debate about the IMF's role in South Africa. The loan application was (purportedly) made in support of South Africa's balance of payments (BOP), following a decline in agricultural exports and an increase in agricultural imports resulting from the drought. These factors had led to increased pressure on our foreign reserves. The IMF loan, it was claimed, would bolster these reserves and ease the capacity of

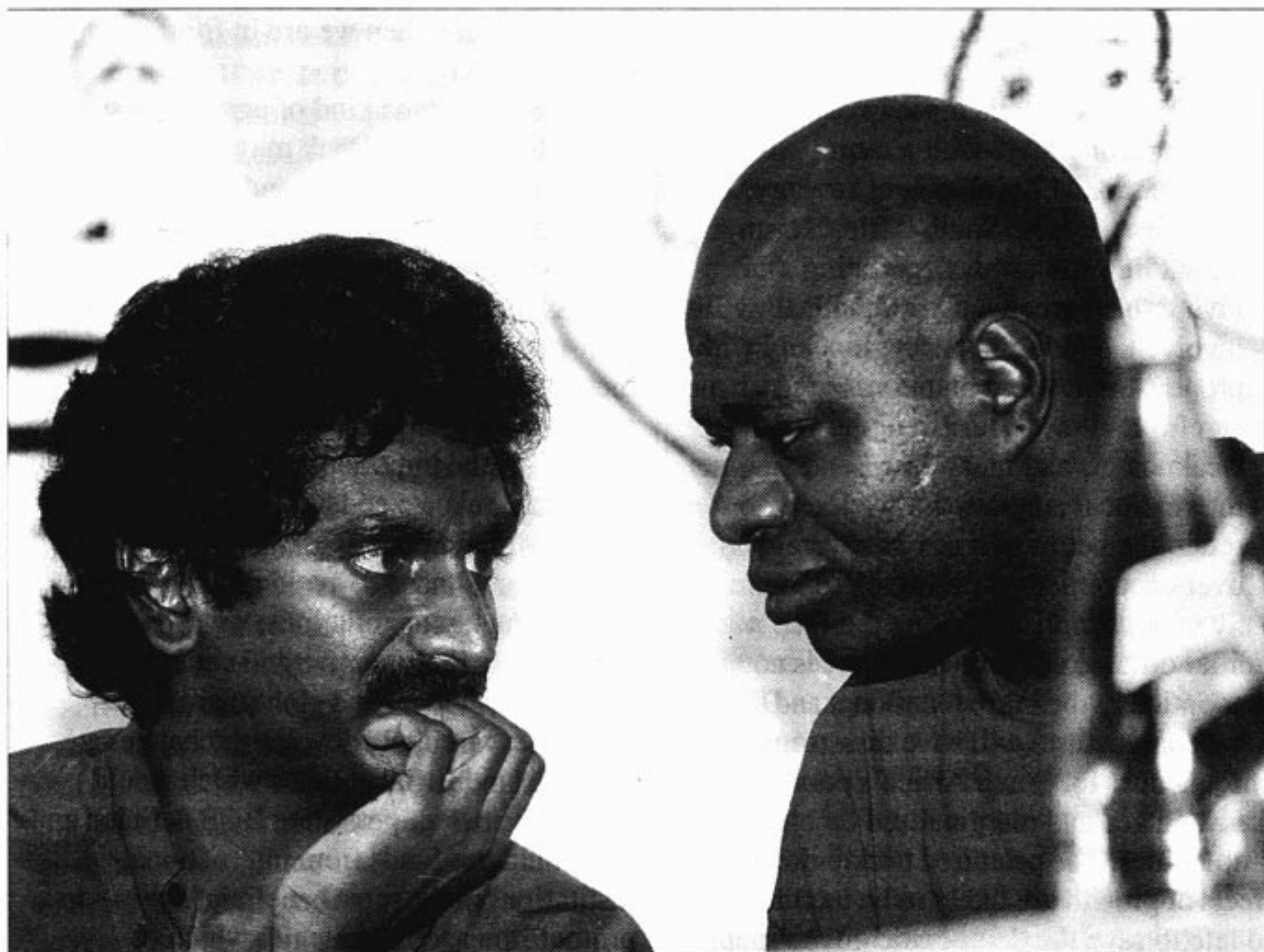
the authorities to manage monetary and exchange rate policy.

The breakdown of the Bretton Woods system in the early 1970s left the IMF with the principal task of providing short-term BOP assistance. Global economic conditions, often coupled with poor domestic economic management, have meant that developing countries with sustained BOP deficits are forced to turn to the IMF for short-term financial assistance.

While developing countries can minimise the risk of BOP crises, few are immune from potentially destabilising shocks on their BOPs. Under weakened circumstances, developing countries are left with little room to manoeuvre in negotiating over policy changes the IMF demands. These policies can have damaging effects, often precipitating political instability and jeopardising fragile democratic experiments. Although Fund missions have recently attempted to ameliorate the social effects of its programmes on the poor and other vulnerable groups, "there remains doubt about how much difference these changes have made in practice" (ODI:p1).

The CCFF, from which the loan to SA will come, is usually a relatively low conditionality facility (ie, the IMF does not impose major policy changes). However, some policy changes and adjustment programmes acceptable to the IMF would need to be set out in a letter of intent, prepared by the borrowing government, before the loan is approved. The IMF increasingly speaks of the importance of the borrowing country designing and owning such 'adjustment programmes'. However, many developing

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Negotiating the IMF loans: anxious moments for COSATU?

countries have found that the Fund's conditions tend to bring economic austerity to important sections of society.

Views on the IMF and World Bank's role in South Africa

There are four broad views on the IMF's role in the economic reconstruction of a post-apartheid South Africa. These, in a simplified form, can be summarised as follows:

- ❑ One which has reconciled itself to the IMF view of growth and development. It is based on a kind of "global consensus", following market-oriented economic reform and liberal, pluralist political solutions in the post-Cold war era! In this view, IMF/World Bank (WB) loans, adjustment programmes and technical assistance are regarded as good for growth and should therefore be eagerly solicited.
- ❑ One which sees the IMF/WB as agents of evil imperialist powers out to destroy nationalist and socialist development programmes in developing countries, to open them to western trade and investment with the objective of bolstering capitalist economies in the industrialised west. Here, developing countries are advised to go it alone with an inward-looking strategy of development.
- ❑ One which believes the IMF/WB can be persuaded to accept South Africa's nationally-determined development strategy, even where elements of the strategy may be anathema to these institutions. The assumption is that these institutions have changed their development philosophy to accommodate more interventionist strategies or are prepared, for both economic and political (or moral) reasons, to make special concessions in South Africa's case. In this view, IMF loans do not challenge the country's chosen development plans and goals.
- ❑ One which recognises that the IMF/WB

may indeed have marginally changed aspects of their approach since the late 1980s. However, their views are still not easily reconcilable with a more interventionist development strategy. In this view, despite South Africa's many bargaining strengths, negotiating a favourable agreement with the IMF will involve a continuous struggle. Only with proper strategy and planning based on a careful review of our strengths and weaknesses, and mass-based and international support, are we likely to retain the better part of our sovereignty over economic and political programmes.

In my view, simply accepting the IMF's familiar orthodoxy (believing there is no other option in the current national and global conjuncture) will have disastrous consequences for South Africa's poor, disadvantaged and marginalised communities. The promised trickle-down effects of growth are likely to be too little, too late to save the democratic government in the 1999 elections.

Those who hold the unproblematically positive view of the IMF, having reassured the Fund about a new government's economic policies, must now ensure that no one upsets the apple cart. Hence constructive dissent has to be stamped out so that the magic IMF/WB loans can be secured.

The view that the IMF/WB are simply imperialist agents and therefore we should not borrow or have anything to do with them is naive, conspiratorial and functionalist. It is true that the IMF/WB in the post-War global economy has heavily favoured the interests of western industrialised countries. However, the view that any country can pursue an independent development strategy is naive. The interdependent nature of the global economy, and South Africa's very open economy, would make this strategy impossible.

On the other hand, believing that we can 'ride the IMF tiger' will lull us into a false sense of security. If we believe that the IMF/WB will simply cave in to our demands because of the moral and political rightness

of our struggle, then we are in for a very rude shock.

However, some kind of agreement with the IMF and World Bank may well be necessary. Access to IMF and World Bank loans and other resources may be crucial to our development strategy. But, as Hanlon and others have argued, (see WIP 89) we need a well-planned approach to negotiating with them, based on a clear and well-articulated alternative development strategy which recognises the importance of sound macro-economic balance and has the support of the majority of our people.

We would need to avoid division in conducting our negotiations; we should borrow only if alternative and cheaper sources (both local and global) are not available; we should develop exchange rate, trade and industrial policies which would reduce the risk of persistent BOP deficits; and we should use funds from international institutions in the most beneficial way — to promote long-term strategies which contribute to development and to our capacity to develop our own foreign exchange earnings and capital stock.

South Africa does have some advantages in negotiating with the IMF/WB. Its physical, communications and financial infrastructure are impressive, albeit distorted by racial biases; its foreign debt is low; its new political leaders have developed fine negotiating skills in their daily struggle against racial oppression and economic exploitation over many decades; and it has a relatively well-developed intellectual core of local expertise to draw upon in such negotiations. As Hanlon argues, South Africa could be "the first country to tell the IMF what role we want them to play", but only if it learns from those who have already tried and failed".

Structural adjustment and macro-economic balance

The point of entry for IMF lending (and policy prescriptions) is external macro-economic imbalance, ie sustained deficits in the country's balance of trade, which

invariably necessitates recourse to IMF loans. The IMF's role thereafter focuses on correcting other macro-economic balances – the national budget, inflation rate, the savings and investment balance etc.

The IMF is right in insisting on macro-economic stability and financial discipline. But is the IMF's view on what constitutes financial discipline and macro-economic stability the only correct view? This is debatable. The IMF's monetarist view on macro-economic stability is often crudely contrasted with 'macro-economic populism', as if these are the only two possibilities. If one disagrees with their view of macro-economic stability and balance (the Fund and its supporters would argue) one must be a macro-economic populist. And various Latin American examples are trotted out to demonstrate the disastrous effects of this.

Loxley points out correctly that government programmes which try to avoid the IMF/WB encroachment on national sovereignty cannot succeed if they fail to address the economic imbalances upon which IMF/WB programmes focus, and if they fail to map out a coherent longer-term alternative development strategy (Loxley, 1990:26).

It is important to see macro-economic stability as 'enabling' rather than as 'constraining' development. The Macro-economic Research Group (MERG) has pointed out that some commentators have unfortunately used the term 'macro-economic constraints' when referring to the need for macro-economic stability. This is misleading and incorrect. "Sound macro-economic policies should ensure sustainability and increased capacity to deliver social goods, and will thus facilitate, rather than constrain, the implementation of a development strategy. Policies that ignore macro-economic stability collapse after a few short years, usually leaving the poor worse off" (CDS/MERG, 1993:47).

The MERG macro-economic policy framework, for example, argues that the realisation of the MERG objectives necessitates prudent and risk-averse fiscal, monetary and BOP management policies.

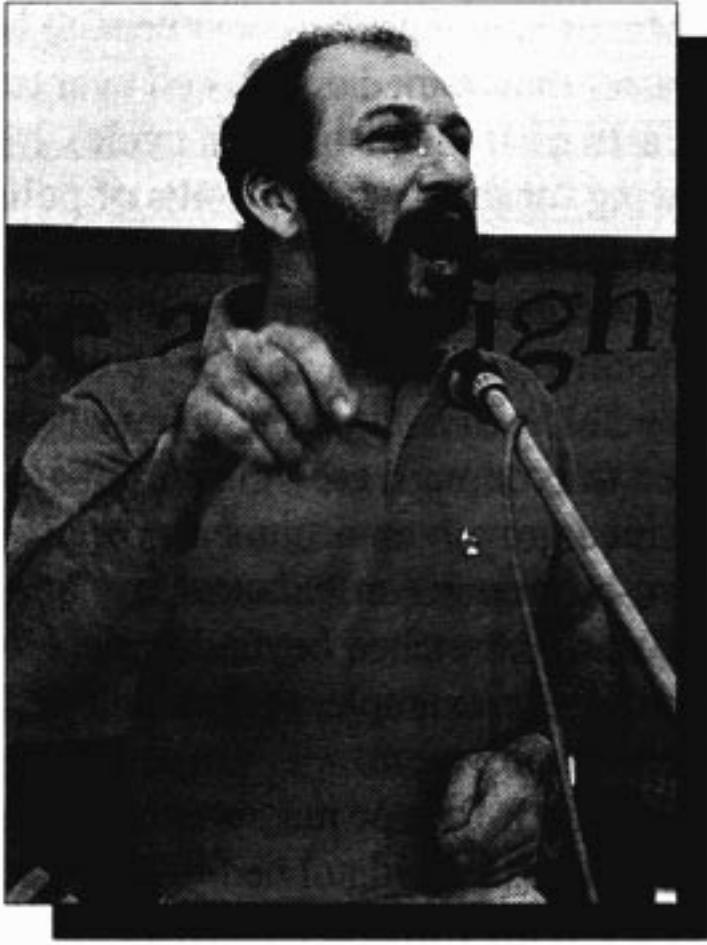
Macro-economic balances need to be assessed, maintained or restored over time (say a 10-year reconstruction cycle), allowing for the positive results of policy interventions to work their way into improved growth rates, rather than being artificially maintained at every point within the cycle. Such balances also have to be linked to economic growth. Within a sustained growth environment, certain macro-economic (im)balances can be temporarily stretched beyond typical IMF norms, if, for example, they substantially benefit employment.

Finally, IMF-type macro-economic prescriptions should not be fetishised at the expense of growth and employment. Thus the MERG study "does not recommend that attempts to control inflation should not be given priority". The biggest problem with moderate inflation is that it could easily lead to hyperinflation. Although a low inflation rate must be maintained, this should not be at the expense of production and employment (MERG, 1993:72). If, however, a country flagrantly ignores the need for macro-economic balance and stability it may only have itself to blame if it is forced to administer the IMF's version.

The IMF and democratisation

Despite IMF claims to political neutrality and its public support for multi-party parliamentary democracy (sometimes a precondition for loans), the Fund has historically favoured right-wing authoritarian parties and, in some cases, their actions and policies have led to the demise of left-leaning governments.

It was, for example, only after the overthrow of the Unidad Popular in 1973 that co-operation with Chile was regarded as satisfactory. The IMF has found it easier to deal with authoritarian governments which have fewer qualms about executing the policies which result from the IMF's monetaristic, laissez-faire philosophy. An IMF staff member reportedly said some years ago, and "not without a certain pride", that the military dictatorship in Ghana was the



Trevor Manuel

consequence of an IMF mission – “a democratic government would have been incapable of effecting the stipulated course of action with due severity”.

The general literature is replete with cases where IMF adjustment programmes precipitated painful, sometimes violent, political realignments by once-popular governments. IMF programmes forced even some popular, democratically-elected governments to adopt repressive measures to limit the protests and strikes which followed IMF-imposed policies. Korner et al point out that: “In Brazil, [in 1983] the draconian austerity measures dictated by the IMF almost ruined the first tentative movements towards democratisation. In Jamaica, the IMF’s loan policies enabled the USA to get rid of a government of which it did not approve.” (Korner et al, 1986:128)

The potential (though by no means inevitable) implications for South Africa are clear. Even an ANC government may have to shift its programme and policies further and further to the right, both economically and politically, if it is forced by external economic conditions, unsound macro-economic policies, or poor negotiations strategies to accept a typical IMF package of economic adjustment. This would further strain the relationship between the ANC

leadership and its various constituencies: its mass membership, its trade union allies and the union movement in general, the South African Communist Party, and its more militant Youth League.

A Government of National Unity, ANC-led or otherwise, would have to face an electorate in 1999, many of whom had experienced little improvement in their material conditions and who may view their government’s performance unfavourably. For these disillusioned masses, the alternative may well be extra-parliamentary forms of protest and resistance well before 1999.

Few these days (compared to early 1990) still retain romantic and unrealistic expectations about a new government’s capacity to deliver all economic and social goods in the short-term. But the huge disadvantaged section of the electorate will have to be convinced that an economic reconstruction programme will make some difference to the quality of their lives within a reasonable period. The neo-liberal, trickle-down, prescriptions favoured by the current government and the IMF/WB do not offer such a hope to the vast majority of South Africans.

The threat posed to South Africa’s fledgling democratic institutions by a failure to meet at least some major concerns of ordinary South Africans (new jobs, houses, education, health-care, electrification) cannot be underestimated.

The Recent IMF loan application

The IMF is already attempting to set the agenda in South Africa, through its \$850m Compensatory and Contingency Financing facility (CCFF). Despite IMF claims that it “simply wants an undertaking, by a legitimate body, that the economy would be responsibly managed”, as a precondition for the loan, this usually includes wage restraint, limits on government social spending, and rapid trade and industrial liberalisation.

This is confirmed by a reading of the first draft of the letter of intent. Although formally drawn up by the borrowing government, this is invariably initially drawn up by the

Fund's technical experts, and states the kind of economic policies and 'financial discipline' the government will endeavour to follow in the next five years or so. Unless it is careful, the borrowing government is invariably left with only minimal space for negotiating minor modifications.

The original letter in support of the latest CCFF was at pains to point to the dangers of increases in real wages in the private and public sector, stressed the importance of controlling inflation, promised monetary targeting, trade and industrial liberalisation, and repeatedly espoused the virtues of "market forces" over "regulatory interventions". The similarity with the present regime's thinking, as expressed in the Normative Economic Model, are striking and not altogether surprising. It is, however, important that the ANC alliance and other parties to these discussions who represent South Africa's disenfranchised majority do not get trapped in the theoretical straitjackets and ideological biases which the IMF and the South African monetary authorities would like the new democratic government to be locked into. If the ANC (even inadvertently) falls for this, a whole range of more direct interventionist policy options targeted to the poor and the disadvantaged will have been closed off.

MERG co-ordinator and former general manager of the Bank of China (in London) Vella Pillay has asserted that if "IMF conditions attached to the Contingency and Compensatory Financing Facility were implemented, unemployment would soar to catastrophic levels."

It was reported that COSATU had opposed the loan application because of concerns related to wage restraint, among others. COSATU general secretary Sam Shilowa is said to have expressed COSATU's opposition to the loan being negotiated by the present (outgoing) government. He was adamant that the government had no mandate to negotiate wage restraints with the IMF, arguing that such issues would have to be discussed with the unions at the National Economic Forum.



Derek Keys

However, reports suggested that the multiparty Economic Technical Committee (the forerunner to the TEC's sub-committee on Finance, which includes the ANC), had agreed in principle to sign the letter of intent. This was denied by ANC economics head Trevor Manuel (*Sunday Times*, 31/10/93). Further discussions of the draft apparently took place, involving some of the major players. However, it is unclear what changes, if any, have been made in the final draft, following COSATU's concerns and the advice of some ANC technical experts.

The Fund pronounced rather boldly on 8 November 1993 that it was satisfied enough consensus existed between the key political parties and COSATU on the economic programme and policies that is a prerequisite to the granting of the IMF loan (*Business Day*, 9/11/93). Finance Minister Keys, asked about the ANC's approval of the application, reportedly replied that the ANC "had accepted the principle of wage restraint and that there should be no real rise in wage levels".

The letter of intent was signed by the TEC on 7 December 1993, at its historic first meeting in Cape Town, and the IMF approved the loan at its December 22 meeting.

As South Africa stumbles towards a

democracy of sorts, access to IMF, World Bank and other foreign finance appears to be increasing. Unless we are very careful, however, some of this finance may carry with it conditions which may eventually force a gradual retreat from democracy, at least from the kind of participatory democratic values and practises which the liberation movement, the UDF and the unions within South Africa struggled so hard to build, especially during the 1980s.

Measures the IMF would like a new government to accept may only be implementable by a more authoritarian, less open and less accountable government a few years down the line. This may be forced upon an ANC government, despite what it stands for now.

With power so close at hand, it is perhaps inevitable that new dynamics come into play, new constituencies have to be won over and compromises made with old enemies. But one would like to believe that the constituencies which have traditionally made up and supported the liberation movement will not be forgotten.

It is a cause for some concern that the ANC chose to negotiate the terms of the IMF loan in such secrecy. While the IMF and the present government would prefer such secrecy, there is nothing to stop the ANC from broadening and deepening the debate over the process and the contents of the letter of intent. The signing of the letter of intent will impact directly on the lives of all South Africans, and it is crucial that, through their organised formations (unions, civics etc), they are fully informed of, and participate in determining, its contents and its implementation.

There is much international attention focused on South Africa. Many powerful people and institutions would like to see South Africa succeed in its transition to democracy. Now is the time to seek support from European, American and other sympathetic governments for South Africa's own programme of economic reconstruction. Thus, for example, in 1976 the Jamaican government skilfully used sympathetic contacts with the governments of Canada, the UK and the US

(where the Carter government was initially relatively sympathetic to Third World problems), to tone down IMF conditions, including those on wage guidelines.

It would have been appropriate for the ANC to elicit the support of the Clinton administration, especially, and to request it to pressurise the Fund at the IMF Executive Board level to accept our economic reconstruction programme. Anti-apartheid movements in the US and Europe, many of whom are now seeking a developmental role in relation to a democratic South Africa, could also be useful in increasing awareness about international aspects of South African development and reconstruction.

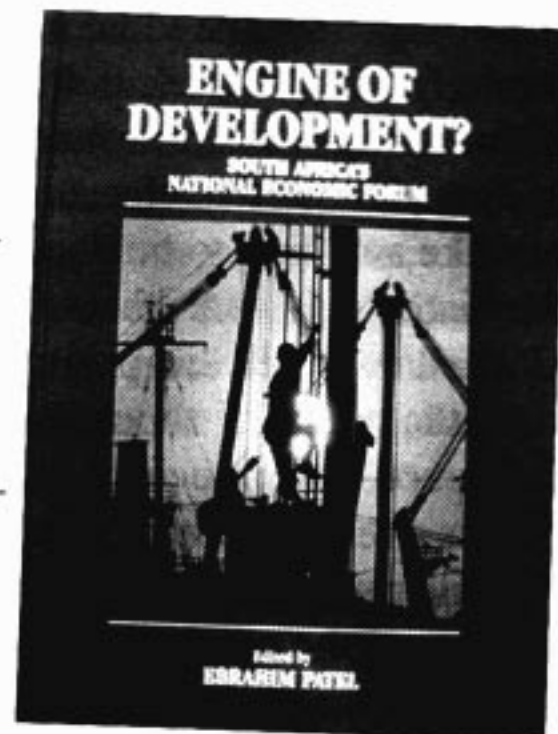
For, ultimately, "it is the governments of the OECD (Organisation for Economic Corporation and Development) countries which decide the Fund's policies and which determine its stance towards developing countries. Since the USA exerts particularly strong influence...the policies of the Clinton administration will be crucial in this regard." Negotiating only with technical experts, like Leslie Lipschitz, the assistant director of the Fund's Africa department (who apparently led the IMF team negotiating South Africa's loan application), is bound to produce limited success.

Democratising the domestic debate over IMF conditionality and seeking wider international support are two important complementary elements of a broader strategy for negotiating with the IMF. If we cannot succeed now, when international political and moral support for the new government is ostensibly so strong, when will we ever succeed? ☆

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Engine of development:
South Africa's National Economic Forum
 Edited by Ebrahim Patel



Reviewed by
**GEOFF
 SCHREINER**

Ebrahim Patel's collection of speeches and documents around the National Economic Forum (NEF) is a welcome contribution to the emerging but still scanty literature on South Africa's myriad new policy forums.

Patel introduces his book as history on the hoof and an attempt to "record the progress of a young new institution". That there is a place for historical recounting of this kind, is beyond dispute. Patel succeeds in producing a very readable flight companion which will suit the busy "meetings on the hoof" reader. The annexures, which are a collection of, NEF founding documents and some of its initial agreements, make interesting reading, even if one is left with a feeling that they should have enjoyed wider circulation at a little less than the R39,79 demanded.

For those readers who have, like me, been wondering for years exactly what a social market economy is, Klaus Schwab – the president of the World Economic Forum – provides a very clear picture in the foreword. Historically, he says, the management of an enterprise was seen as

solely accountable to the shareholders of the company and the overriding objective was the maximisation of 'shareholders value'. Today, this has been replaced by the 'stakeholder theory', which involves not only the shareholders but also the clients and the suppliers. In a social market economy, two additional partners have to be added: the employees and the government on a national and local level. It is a broad commitment to this sort of outcome that, one suspects, binds together the contributors to the book in their various advocacies of the Forum.

Viewed as a whole, the different contributions raise some critical issues about how advisory forums and the NEF in particular ought to be structured, both now and in the future. All agree, though, as Godsell points out, not without some reservations on the part of the old state (Keys) and the new (Manuel), that the NEF should continue after the April elections. But there are some interesting differences between the various constituencies (state, labour and [big] business) about what form this engine of development should assume.

The first revolves around the decision-making capacity of the NEF. Both Patel and Jayendra Naidoo adopt the position that the NEF is "...not a body for the parties to exchange views – it is geared to reaching agreement, and it is not a body to advise government – it is intended that agreements be given practical effect". Keys, on the other

hand, expresses the view which resonates strongly with Manuel, that he (now?) acknowledges the “absolute supremacy of a truly representative elected body and would not like anything to be done which in any way interfered with (that) authority ...”. Godsell endorses this position, but with the rider that the NEF should have a lot more impact on government than many advisory bodies over the past 40 years.

One cannot help but feel that Godsell’s position is the correct one. The Patel/Naidoo view that the NEF or any other forum should have (policy) decision-making powers is surely wrong. Even in practice, the NEF does not work in this way, as the recent fuel crisis clearly demonstrated.

Decision-making should occur within the structures of government – how else can it be held responsible? The idea of hundreds of forums making policy decisions is inimical to good government.

But – and this is really the critical question - how do organisations within civil society ensure that the views they render through various advisory forums have maximum impact on the government of the day? Various means to raise the status and increase the impact of advisory forums have been mooted. These include reporting directly to parliament or to a standing committee, compulsory promulgation of advisory forum positions and constitutional or at least statutory enshrinement of forum powers.

The second issue of divergence is around the question of representivity within the NEF. Interestingly, all contributors with the exception of Manuel accept the legitimacy and appropriateness of a three-party NEF (business, labour and the state.) Business and labour are at pains to spell out how representative they are. Keys goes as far as to say that those who argue that consumer organisations and environmental groups, for example, should be part of the NEF, actually

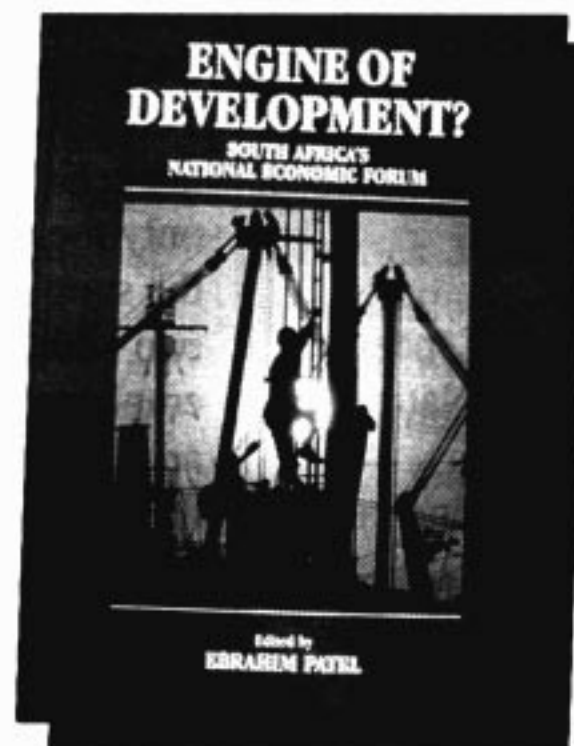
misunderstand what the NEF is. The bottom line, he tells us, is that “We do not want people there who are not going to make deals”.

Here Keys’ thinking seems to be at its fuzziest. If, contrary to labour’s view, the NEF’s principal task is to advise government on policy, why should other important interest groups be excluded? How are the interests of the majority of the population - who are not in business nor organised into unions - to be taken into account? Are we being encouraged to trust that the state will do the thinking for them? Surely those days are over. If there are parties within the NEF who have the ability to contract, well and

good, this is their prerogative. But surely this should not be allowed to prevent every forum seeking the widest possible consensus on its recommendations to government.

The third issue of importance to the future of the forums is the question of their constitutional and/or statutory enshrinement. Manuel’s defence against entrenchment “...we

should not entrench the existence of the NEF in the constitution because we may have to make concessions which are in conflict with the overall democratisation of the economy ...” is extremely hard to swallow. Keys’ position remains ambiguous, as does Godsell’s, which states that whether or not entrenchment is desirable depends on the “...degree of detail of constitutional entrenchment...”. Jayendra Naidoo goes further, perhaps, by reformulating the problematic and claiming that there should be compulsion on the government “to engage civil society in the process of decision-making” whether by way of “constitutional entrenchment, legislative provision, legal precedence or by political powers”.



It is perhaps not surprising that Manuel (and Keys) rally against constitutional entrenchment. Few governments voluntarily limit their own powers and place authority in hands outside the state. Business and labour's reticence on this issue is, however, far more difficult to understand.

Constitutional entrenchment backed up by statutory provision would secure for them a clearly recognised right to be involved in the process of public policy formulation. This would be very difficult to reverse in the future.

The fourth issue of interest is that of the capacity of organisations to engage with the NEF. It is a matter only raised by the unionists but applies as much to business, the state and other

constituencies as well. Patel and Jayendra Naidoo bemoan the proliferation of forums. On the one hand, they call for a rationalisation of forums, including the NEF and National Manpower Commission (NMC) being merged into a single social and economic forum, and, on the other, advocate that the unions build and increase their personnel and resource capacity.

Whether "rationalisation" is desirable must be debated. What does a "proliferation of forums" mean? If it is accepted that forums ought to be advisory, then it makes sense that there should be an advisory body for all important government departments at different levels – national, regional and local. It is thus government functions which should define the existence of any particular forum. This approach also resolves the so often stated problem of how do we (read civil society) co-ordinate the activities of all these forums. This is not a forum problem as is suggested by Keys, it is a government problem. Government has to create the capacity to reconcile the recommendations from the various forums whether through the Cabinet, or a supra-

Reconstruction and Development (or other appropriate) co-ordinating body.

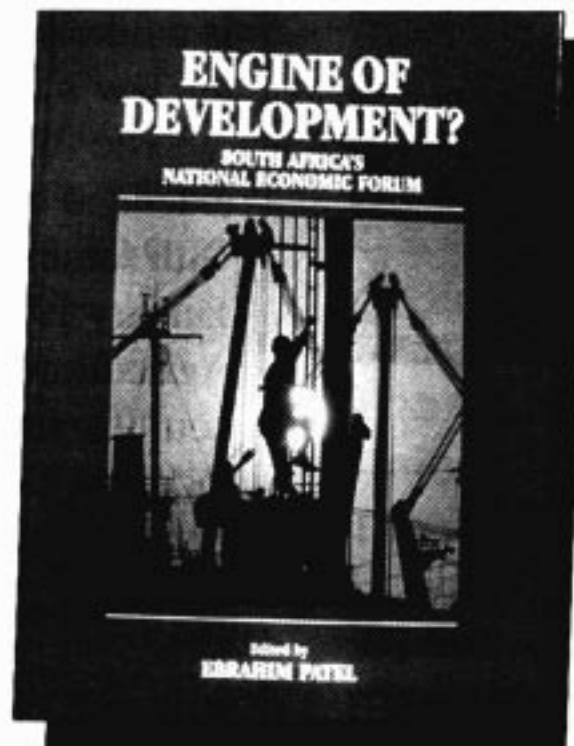
Reconciling forums with government functions – everything from defence through to the economy – will not, however, substantially reduce the number of forums in existence. It may increase them. Rather, however, than looking at restricting the development of forums, it may be far wiser to accept that organisations will confine their participation to those which are their particular priority, or appoint advisors to represent them in these important areas. It seems better to have advisors and experts from civil society than no forum at all. But, most of all, organisations like the trade unions surely have to stop repeating that there's a

need to develop capacity and do something about it - so too with business.

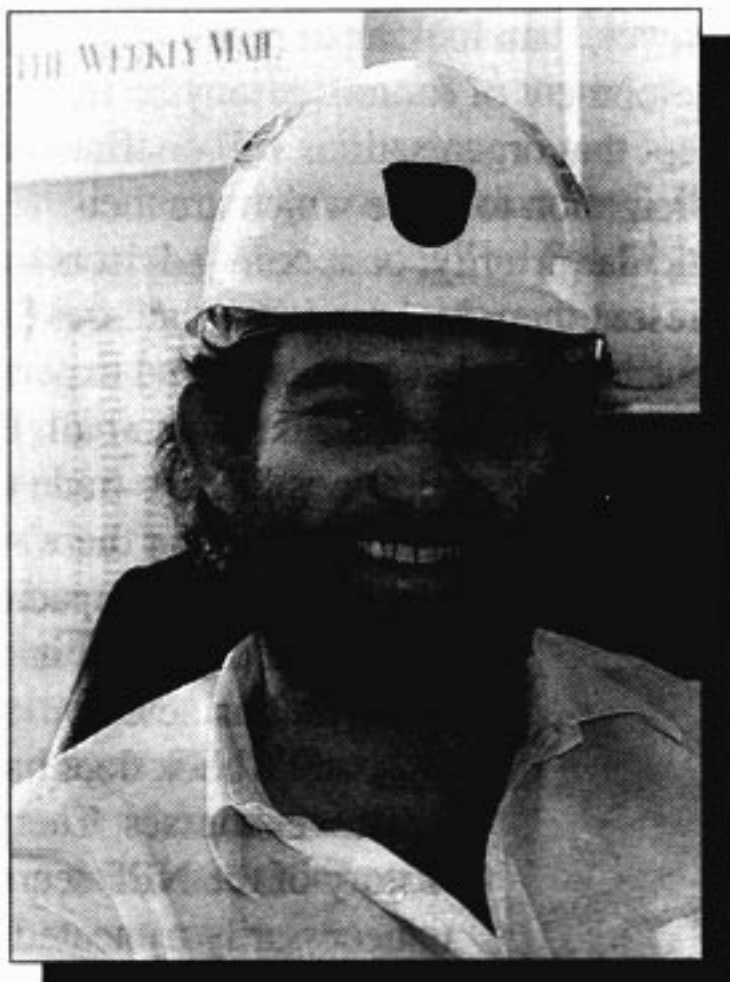
Patel's book does have some weaknesses. The history of the NEF seems unnecessarily truncated and really fails to link the emergence of this particular forum with the Laboria Minute and surrounding political developments. There's an air of chauvinism which surrounds many of the contributions, but, most of all, the book lacks a chapter or

conclusion/introduction which draws together the various contributions and highlights some of the key issues which emerge. In the same vein, some commentary on, or analysis of, the agreements reached in the NEF would be very interesting - so too with Key's chapter on 'Economic challenges facing the new South Africa', which emphasises productivity and wage restraint and yet remains unanswered by any of the other parties (surely consensus does not extend this far!).

In the final analysis, however, for those concerned with issues of transition and processes of "shucking our old carapace" to borrow Keys' expression, this book deserves a read. ☆



New labour laws: *implications for unions*



Paul Benjamin

South African labour law underwent extensive changes in 1993. This note surveys these changes to remind readers of the present state of the law and to help identify issues unions will face in 1994.

Farm workers

The Unemployment Insurance Act was extended to farmworkers from the beginning of 1993. However, farmers have until the end of March this year to register as contributors to the fund. This means many farmworkers will not be entitled to realistic unemployment benefits for another few years.

The Basic Conditions of Employment Act (BCEA) has applied to agriculture since May Day last year. This sets maximum daily and weekly working hours, limits overtime and provides for special rates for overtime and work on Sundays and public holidays. It also gives the right to paid leave and sick leave and protection against victimisation. In the absence of the Department of Manpower allocating resources to inspect farms (which is unlikely), it will be up to unions to ensure the law's implementation.

The Agricultural Labour Relations Act extended the Labour Relations Act (LRA) – with some changes – to agriculture from 17 January 1994. The Act creates the Agricultural Labour Court – a “small claims” court for unfair dismissal cases in the farming industry. Designed to be quicker and cheaper than the Industrial Court, it is not yet operating as funds have not yet been allocated to it. However, farmworkers are still entitled to take their cases to the Industrial Court.

The Act extends LRA procedures for collective bargaining and dispute resolution to agriculture, with one important change. Farmworkers are not permitted to go on strike (and their employers cannot lock-out). However, they have the right to refer unresolved disputes, including disputes over wages or conditions of employment, to compulsory arbitration. The arbitrator's decision will be binding. This means that, for the first time, legally binding minimum wages can be set for farmworkers. This allows unions to creatively use arbitration to improve farmworkers' wages. This is particularly important given that organised agriculture continues to oppose minimum wages and the extension of the Wage Act to agriculture.

Domestic workers

The BCEA was extended to domestic workers on 1 January 1994, for the first time guaranteeing their conditions of employment by statute. However, the BCEA offers extremely limited protection, for instance, only two weeks paid annual leave and no guaranteed protection against dismissal for taking maternity leave. One innovation is that domestic workers who work three days or less per week for an employer are entitled to paid leave and paid sick leave. This does not apply in other sectors. The government has indicated that the LRA will be extended to domestic workers in 1994. Still on the agenda is the urgent need to extend social security benefits such as unemployment insurance and worker's compensation.

The public sector

At the beginning of 1993, there was one LRA in South Africa (not to mention the many in the homelands). Now we have four. In addition to the Agricultural LRA, there is the Public Service Labour Relations Act (PSLRA) and the Education LRA. The PSLRA applies to government employees other than the army, the police and teachers, but includes correctional services (prisons). It sets up a public service bargaining council with different chambers for different government departments and creates an extremely complex dispute resolution system. The unfair labour practice powers of the Industrial Court are extended to the public sector and a procedural right to strike is created. However, workers are not protected against dismissal if a strike lasts longer than six weeks or if the conduct of the strike is unreasonable.

In addition, the PSLRA includes some of the LRA's worst features – including the controversial strike ballot requirements. A wide group of employees are classified essential service workers and are prohibited from striking. (This goes beyond ILO standards.) Their disputes will be referred to arbitration, but the implementation of arbitration decisions will depend upon approval by parliament. The Education LRA

creates a similar collective bargaining framework for public sector teachers and allows them to utilise the Industrial Court.

Regulations have been published to regulate collective bargaining in the police force. Police can now join trade unions which recruit members among the police or correctional services (prisons). They are prohibited from striking and unresolved disputes are referred to arbitration. Police trade unions are not allowed to affiliate to broader trade union federations and must be apolitical.

Despite demands for the LRA's extension to the public sector, there is now separate public sector legislation. The new legislation has advantages, but also many drawbacks. These include the bargaining council rules, the complexity of dispute procedure and limitations on the right to strike and arbitration proceedings. The needs of all sectors could be met by a single consolidated LRA and this demand will certainly continue.

The Occupational Health and Safety Act (OHSA)

This Act replaces the Machinery and Occupational Safety Act (MOSA). It improves the system of health and safety representatives by requiring that representatives be elected and by increasing their powers, functions and rights. These include rights to information, to be assisted by technical advisors during workplace inspections and to accompany inspectors on inspections. Representatives must be elected at every workplace with more than 20 workers by the end of April 1994 and employers must consult trade unions on this. Unions should now be developing their positions for these consultations.

In addition, the law provides that health and safety representatives must receive adequate training to perform their functions. Without the effective implementation of training requirements, workplace health and safety is unlikely to improve. The law places the onus on employers to provide healthy and safe working conditions and increases

the penalties for employers who do not comply with the law. OHS Act is an improvement on MOSA, but it will be up to the unions to use the laws as a vehicle to ensure health and safety conditions are improved.

Compensation for Occupational Injuries and Diseases Act

This Act will replace the Workmen's Compensation Act from 1 March 1994. Most importantly, it modernises the approach to the compensation of workers who contract occupational diseases and extends the list of scheduled diseases to reflect international standards. The Act also introduces a Workers' Compensation Board with limited advisory powers on which trade unions will be represented. An important change is that employers will be obliged to pay worker's compensation for the first three months of any absence due to injury or occupational disease. This should result in injured workers receiving compensation payments earlier. However, most of the structure of the old Act is intact and the major problem, the low compensation payment for many permanently disabled workers, is not resolved.

Labour law and the constitution

Changes to labour law did not attract as much attention as the negotiation of South Africa's new constitution, particularly the controversy over the right to lock-out. The new constitution is an interim constitution which will last until the Constituent Assembly (the Legislative Assembly and Senate) adopts a new constitution. This must be done within two years.

The interim constitution sets out fundamental rights, some of which apply to labour relations. These bind all legislative and executive state organs. In other words, parliament cannot make a law that is inconsistent with the constitution and a government agency cannot take an action or decision that violates the constitution. It does not regulate relations between private individuals such as between a worker and

employer within the private sector. This can be illustrated by the first labour right in the constitution — the right of every person to fair labour practice. This prevents parliament from making laws that deprive people of their right to fair labour practices and the government (as employer) from depriving its employees of this right.

The other rights in the constitution operate in the same way. These are the right of workers to form and join trade unions and to organise and bargain collectively. For collective bargaining purposes, workers are given the right to strike and employers recourse to the lock-out. Again, the government cannot legislate to deprive workers of this right. The right to strike is not expressly mentioned in the LRA and its inclusion in the constitution will form the basis for arguments that there can be no right to strike without strikers being guaranteed protection against dismissal.

The constitution is the country's basic law and all other laws must be consistent with it. However, laws dealing with employment practices, collective bargaining and the regulation of industrial action are excluded from this provision. The constitution cannot therefore be used to attack the validity of the LRA and institutions it creates. Only parliament can change the LRA. However, before this is done, the NMC must have an opportunity to consider proposed changes and make recommendations.

This brief description barely scratches the surface of the new constitution. Unionists should get to know its contents so that they can make sure their unions articulate their views when the final constitution is drafted.

Conclusion

The recent changes have expanded the number of workers covered by labour legislation. At the same time, this process has introduced an unnecessary multiplication of legislation. The entire framework of labour legislation requires urgent review to create a proper legislative basis for economic development. ☆

JJ Mabena: *trade unionist heading for parliament*

LABOUR BULLETIN visited JJ MABENA, COSATU regional secretary, and number two on the ANC list for the Eastern Transvaal parliament in his office in Embalenhle, Secunda

In 1980 I was employed at Colgate Palmolive in Boksburg and within a month after being employed I was elected a shopsteward in the Chemical Workers Industrial Union (CWIU). At Colgate we were mobilising workers to fight for the recognition of the union.

CWIU and Sasol

In 1983 CWIU targeted the Sasol plants in Secunda. I used to be in the committee that recruited the Sasol workers over the weekends. In 1984 I left Colgate to come and work full time to build CWIU in Secunda. The Sasol project was very important. The conditions at Sasol were very terrible. I remember one shopsteward, Max Mayekiso, coming in the evening saying that one supervisor told him that Sasol was his farm. You had plant management people with that mentality. In the Sasol Coal Mines workers were being beaten up by white workers underground.

We formed a steering committee of very young men and they increased recruitment until we reached 50% of the 6 000 workers at Sasol. At first the company was not prepared to recognise the shopstewards. We had very active shopstewards in our committee. They started challenging some

of these cases forcefully. We looked at the grievance procedures of the company and encouraged the interim shopstewards to go and assist other workers in terms of the grievances procedures.

In 1984 Sasol dismissed all the workers for participating in the November stayaway. It was about 11 in the morning, and workers were taken out and paid off. The police were

there, buses were hired and workers were forced out of the hostel. Thereafter there were negotiations, and the majority of the workers were taken back. It was a very difficult period, but we persevered.

Then in 1986 I was elected COSATU's regional secretary. The main task was to build COSATU structures especially locals, co-ordinate COSATU activities and facilitate solidarity among affiliates.

“They loaded their guns as we were going to the veld in the combi. They told me to say my last prayer... But it is important to try and forget the past, for our children.”

Dark days of emergency

I used to escape, I would not allow myself to be arrested. There was one night in June 1985 when I was taken to the veld by very very drunk policemen. They loaded their guns as we were going to the veld in the combi. They told me to say my last prayer. I did because they were drunk, and I thought that one of them was going to shoot me. I

was taken to the veld and was questioned. They were very worried about my involvement in the ANC. They were kicking me on my chest. At 3am they took me to the police station. There were about five white policemen and one black guy. The one sergeant kept on kicking me. Until he made one mistake. He wanted the black policeman to hit me, but when he was very drunk he pointed to both of us and said, you black people you want too much. After that this black guy refused to hit me.

Another time they surrounded the mines, but I managed to escape. They looked for me in the township. As they were looking for me I was somewhere in one of the mines, being shown around by some of the shopstewards. I slept in one of the shafts. They were looking for me heavily in the township. The following day I went to Tsakane, and then to Natal for some months.

Although one does not like to think about it, it is important for us to try and forget the past. One of the policemen who used to ask me whether I can swim, who was always promising to take me to the dam one night, was there at a peace meeting. I reminded him. But he was coming to a peace meeting, so how can you not accept and work for reconciliation? It is important for our children. We have to reconcile and encourage all of us to work for the prosperity of this region and the country.

But you cannot indemnify a person when you do not know what that person did. When you go to church to confess you have to say what you did. It is important for people to come out and say, I have done this.

Early life

I was born at Brakpan old location in the East Rand in 1959, and I went to Kwa-Ndebele for my High School. When I came to the Eastern Transvaal I met my wife. She is an administrator for CWIU. We used to work in the same office until I became a COSATU secretary, but she is still working for CWIU. We have three children.

My family is staying in Tsakane – my

mother and my two sisters and two brothers. My father passed away in 1984. My mother was a domestic servant and my father spent most of his time working as a labourer in different butcheries.

I am from a very religious family. I do not know how to describe it. Even now when I am sick I phone home and my mother will pray over the phone from Tsakane. My church is one of the Pentecostal Churches.

My late father used to really support me, and my mother is still supporting me a lot. There are problems in the Pentecostal Churches. Even now there are some who say they are not going to vote because they vote for Jesus. I would like to go to church but I do not have time. But if there are Christian Revivals I do go.

During the state of emergency, people used to pray and they survived. They had courage that a prayer is a very important spiritual weapon to strengthen the person.

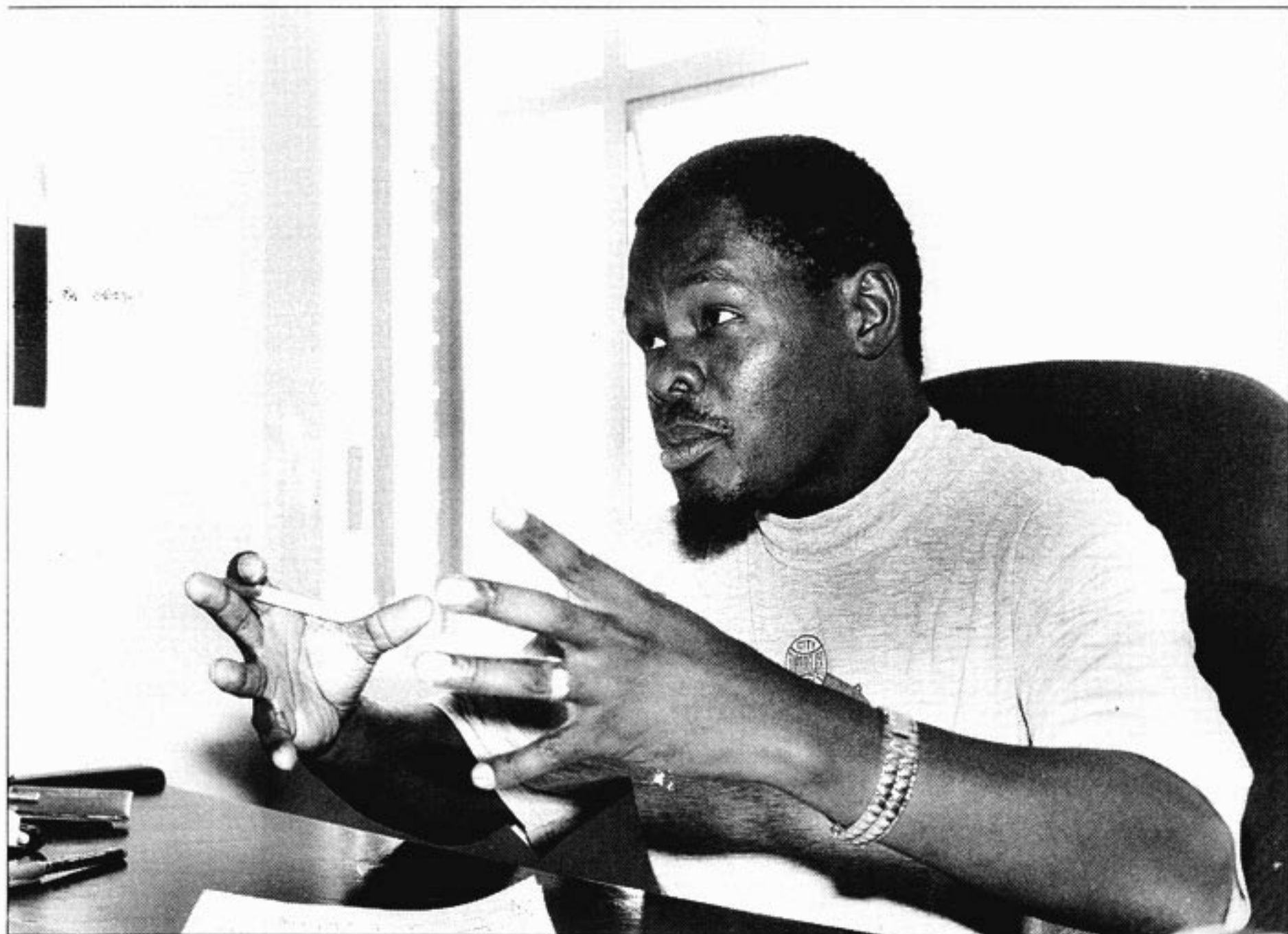
I was a member of the Young Christian Workers. I was also a supporter of AZAPO in the East Rand. I used to read a lot, especially African literature.

I do not have enough time to spend with my family, but when I have time I use it. My wife is also on the provincial list. The coming weeks are going to be very difficult. Even during the dark days when one was hunted by the police, she would find means to contact me and encourage me. She is religious, but she also does not have time to go to church because of commitments.

From trade unions to politics

I was elected for both the national and the provincial list, but I preferred to stay in the region. I see my role as being to fight poverty and unemployment, and contributing to economic and social development of the region, to improve the standard of living of the people. I am not being regional, we are all for a very prosperous country.

I think there will be a good relationship between the government and the trade unions. We have been interacting all these years. If you are to improve productivity in



the region, which is important for the economy, you have to have sound industrial relations.

There was a period when COSATU was very very strong in this region, around 1986-88. We occupied the vacuum that was created by the restrictions on the UDF. COSATU was also restricted, but we found that workers were prepared to resist and to defy.

Weaknesses

Now there are weaknesses. People relax. Locals are no longer as vibrant as they used to be. You find shopstewards no longer prepared to take leadership positions. It may be because the conditions are no longer as bad as they used to be. During the dark days before the unbanning we were forced to resist all the time.

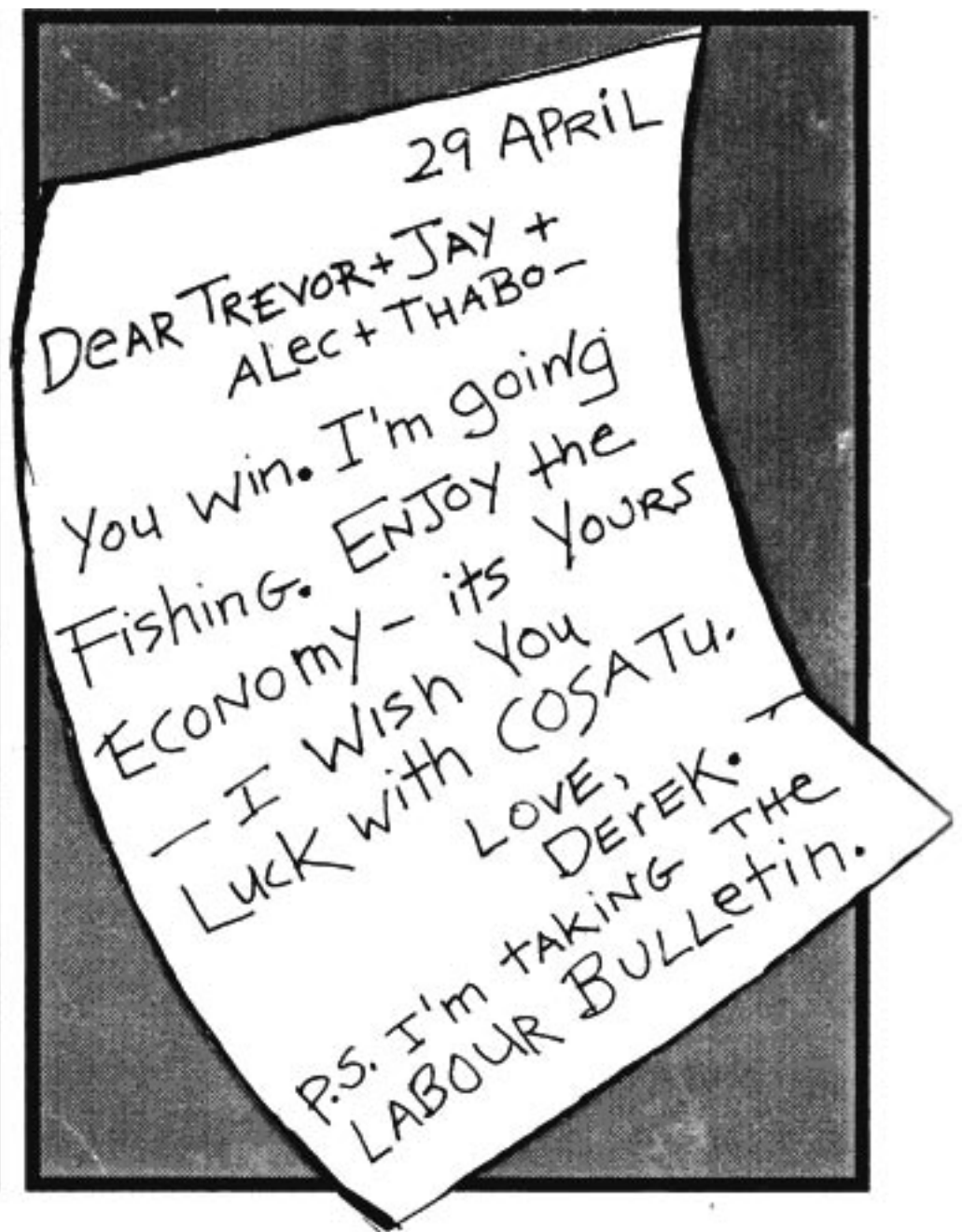
There is also this strategy of the employers of promoting key shopstewards. I am worried about the experienced organisers becoming industrial officers in the coming months or years. At least we are assisting to develop a less adversarial industrial relations. We need a better industrial relations environment to

increase productivity. It will be a positive development, but it will threaten the unions at the same time.

Sad

It is sad to be leaving COSATU. But I have been regional secretary for a long time. I was thinking of moving anyway, maybe into the area of development. I went to a number of locals and spoke to the leadership. They are not that much worried. There are comrades in this region who are ready to take these positions. I am very optimistic about the future.

My development in the labour movement came about because workers were committed. I still wish one day to go and thank the workers of Colgate because they always were prepared to struggle. It is important for me to also mention the name of Chris Bonner, our organiser. She played a very important role in my development in the labour movement. It is important and I thank her. ☆



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