Industrial strategy

by MANDY MOUSSOURIS

In partnership with COSATU, the Sector Job Summit Project is developing a working class industrial strategy

Since 2001 the Sector Job Summit project located at NALEDI has been conducting in-depth research in a number of industries in South Africa. The primary aim of this project, a partnership between COSATU, the affiliate and NALEDI, has been to develop a working class industrial strategy to negotiate with business and government at the Sector Job Summits.

Creating quality jobs, meeting the needs of the poor, democratisation of the sectors and ensuring progressive development are the keystones of the vision that informed our research.

In order for industrial strategies to work, they need to be based on evidence. It is in pursuit of this evidence that research has been undertaken.

Sector Job Summits will assist in the identification of sectors where jobs can be created or where jobs have been lost. Each of the constituencies is required to come to the table with evidence-based proposals and mandates to negotiate.

Pre-conditions

Apart from good research and technical preparation, the success of the Sector Job Summits is dependent on two other critical pre-conditions.

First, there needs to be some degree of collective action by constituencies based on the evidence at hand. The Sector Job Summits will not succeed if only trade unions are committed to the process. Clearly capital and government must also commit – with government having the biggest responsibility of ensuring that implementation actually does take place.

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Second, trade unions need to mobilise workers and campaign at plant level to ensure that members have contributed to the process and are prepared to ensure that victories at a national level translate into victories at plant level (and vice versa).

NALEDI has been researching eight different sectors. In this article, we highlight some of the findings and proposals emerging from two important sectors: engineering and food.

The food sector

There have been substantial job losses in this sector caused by decreasing demand as rising unemployment impacts on people's ability to purchase food. Job losses have also been the result of increasing imports, inappropriate technologies, inadequate skills development and subcontracting.

The sector has seen massive increases in the maize price (112% from June 2001 to August 2002) even though there is no shortage of maize. This is because local maize producers are entitled to increase prices to match international prices. However, when the international price falls, local prices remain 'sticky upwards' and do not decrease much. These price hikes have greatly aggravated hunger and malnutrition and are also causing cost increases for downstream industries like poultry and meat production.

There is evidence that the concentration of ownership, price collusion, futures trading and other forms of speculation have contributed to the rise in food costs.

There has also been a drop in food quality. South African food producers have to compete with highly subsidised food dumped into this country by the United States and Europe. Foreign investment in this sector has generally displaced domestic production, reducing employment and long term growth.

The government's shift to free-market policies has undermined efforts at food security and underlies the maize price hike as well as the decline in quality of bread. Given that the right to food is a constitutional right, there is a need for the government to address the crisis in the food sector.

import tariffs there has been an increase in cheap imports. Dumping of goods by foreign countries is a growing problem and the procedures to address this problem are lengthy and costly for local companies. However, our trading partners (mainly Europe and the United States) have erected non-tariff barriers that make it difficult for South African exports to penetrate their markets.

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Trade unions are proposing that:

- the government must develop measures to improve household food security;
- all constituencies must find ways to support consumer co-operatives;
- imports should be discouraged in ways that do not raise prices or reduce quality;
- government must play a central role in stimulating food production in ways that will reduce food costs and create jobs;
- small-scale producers should have greater access to processing plants and retail outlets; and
- a sector bargaining council must be supported.

Engineering

The South African engineering sector is experiencing a serious loss of jobs. Low investment in infrastructure and the decline of investment in traditional sectors (eg gold mining) has shifted demand in the sector.

Parastatals and some government structures do not have 'local content' provisions in their tender documents and procurement policies. There is also no uniformity on procurement policies in all organs of state.

Engineering companies suffer from the high costs of raw materials, due to 'up-stream' producers pegging local prices at international levels (called ‘import parity pricing’). Although it is cheap to produce steel in South Africa (because of cheap electricity), 'down-stream' engineering firms do not benefit from this advantage.

Since the drastic reduction of

Where foreign investment takes place, licensing agreements often create dependency on the foreign company for skills and technology. Foreign companies have tended not to transfer skills and technology or invest in local research and development capacity.

Trade unions are proposing a two-pronged approach, which boosts demand for goods and which provides support for those that are supplying the goods.

Government must:

- inject massive investments in infrastructure;
- use its procurement policies to favour South African made goods;
- continue to promote the Proudly South African campaign;
- put in place measures to ensure that upstream producers pass on a fair price advantage to downstream job-creating firms;
- improve its monitoring of illegal imports and dumping and reassess its reduction of tariffs on imported goods;
- bring in an investment code that requires foreign investors to transfer technology, training and skills to this country; and
- stimulate development and use local suppliers.

[Mandy Moussouris is the Project Manager of the Sector Job Summit Project at NALEDI]

Editorial

South Africa is convening a Growth and Development Summit, currently scheduled for 14 May 2003. The Summit follows years of mobilisation by workers and the poor *against* job losses, increased privatisation and productive dis-investment, and *for* strategies of job creation, basic service delivery and productive investment.

The Summit could be one of the most important events in this country for the next few years, forming the basis for a social agreement that puts South Africa firmly on a path of accelerating economic growth and social equity. In this scenario, all the main constituencies (including government, labour, business and community) will grasp the importance of this opportunity and put mandated and evidence-based proposals on the table. Each constituency will accept that there is some ‘give and take’ and that the important thing is an effective overall package.

The second scenario, equally likely, is that the Summit will suffer from a lack of preparation from some constituencies, who also enter the Summit not wishing for anything other than the satisfaction of narrow self-interest or an exercise in image management. With growing unemployment, income poverty, HIV/AIDS – and a worsening global economic and political environment – constituency leaders would be failing in their collective responsibility if they went this route.

As this *Policy Bulletin* suggests, there is a lot that can be done. South Africa has an enormous pool of local capital, the public sector can be made to work and there is a lot of energy on the ground to make a change. Whether South Africa can show real evidence of being able to replicate its so-called ‘political miracle’ in the socio-economic arena remains to be seen, however.

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