

Presentation to Naledi Forum

11 November 2005

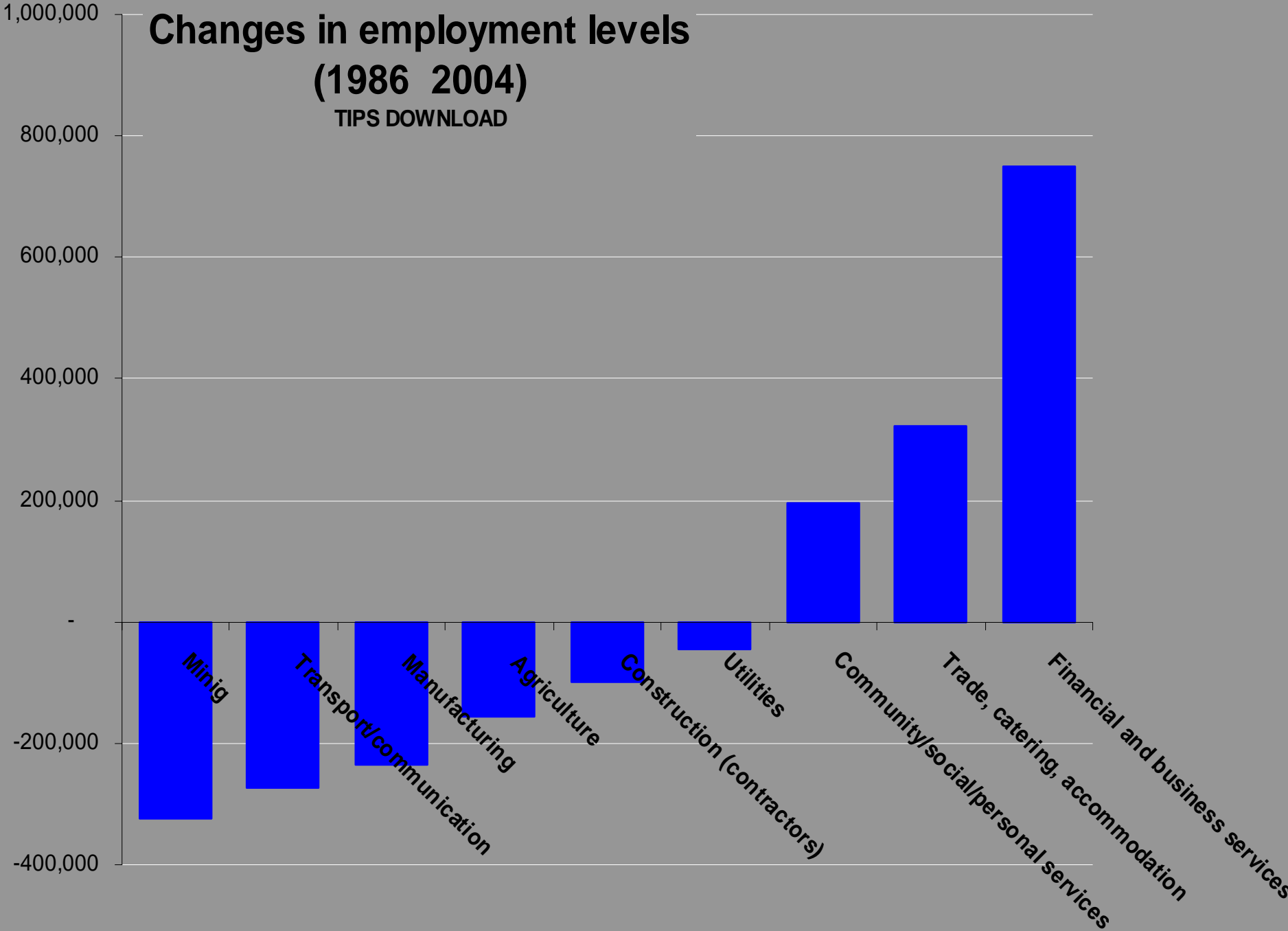
Michael Sachs

MANMOHAN SINGH

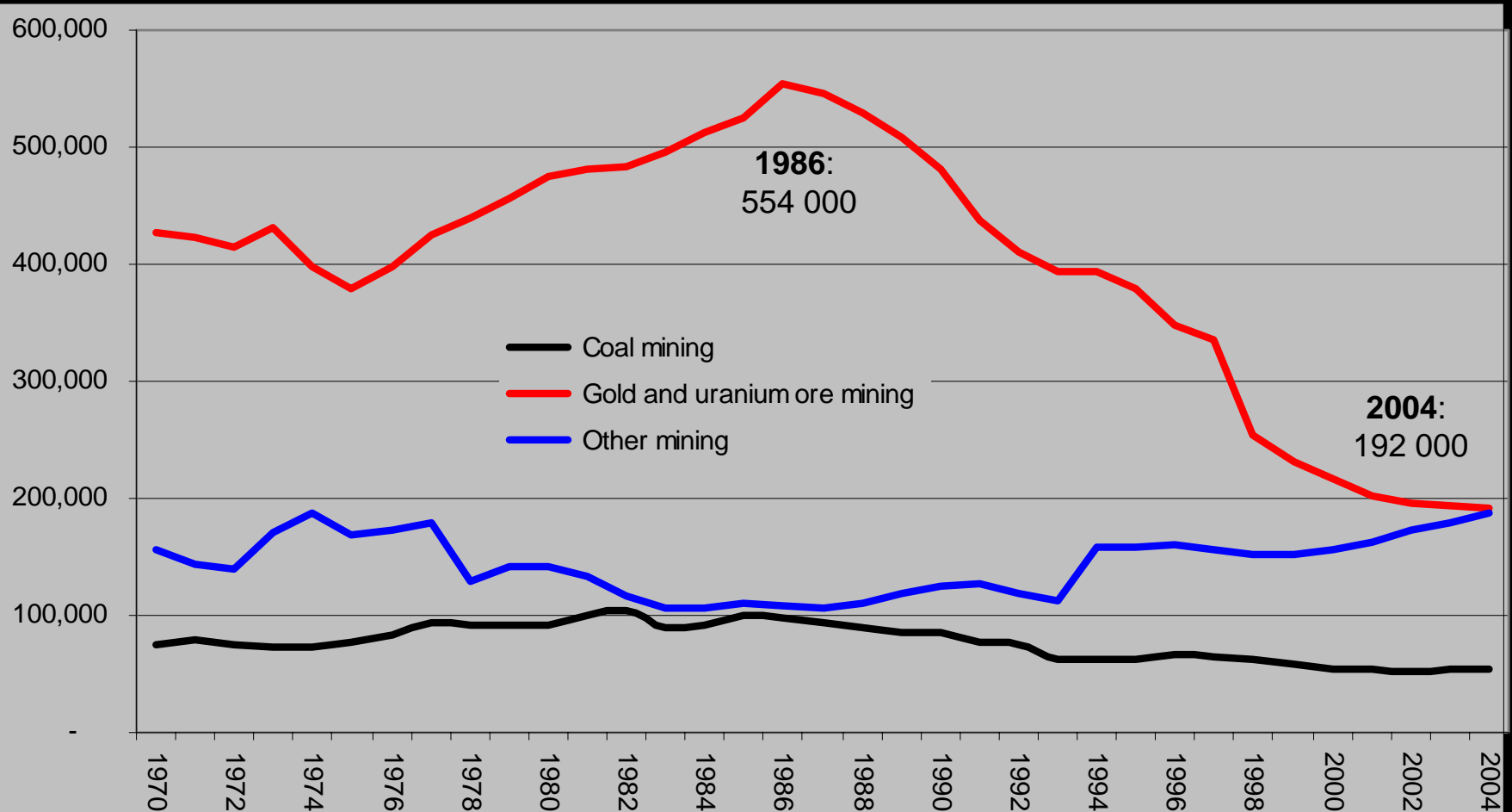
- **QUESTION:** The reform process must also incorporate labour reform. I wonder how you feel about that, especially since labour has to be retrained and redirected in many ways for the economy to become more productive.
- **ANSWER:** First of all, we must make a distinction. When we talk about labour reforms, we are essentially talking about 10 percent of our labour force, which is accounted for in the so-called organized sector.
Outside this 10 percent, for the 90 percent we are a completely flexible labour market. The normal laws of the market take precedence.

Changes in employment levels (1986 2004)

TIPS DOWNLOAD



Employment in the Mining Sector



Dualisms

- Dualism in the third world
- Lewis and unlimited supplies of labour
- Wolpe and cheap labour power
- Webster and core – periphery models
- The ANC's 'two economies' slogan

From apartheid to democratic labour

- The Triple Transition: Globalisation, Democratisation and National Liberation
- The definition of an employee: from apartheid to externalisation
- From systemic oppression to system exclusion.

Frelimo and the Gold Mines

- The drop in Mozambican mine workers is related to the change in government in 1974/75, as workers could not obtain travel documents. The political developments in the frontline states also had spill-over effects on the attitudes of mine workers. A 1976 study directed by Professor Dunbar Moodie found that Mozambican miners were committed to Frelimo, listened eagerly to Radio Mozambique and criticised white management as “colonialist, capitalist and exploitative of workers” ...
- Whatever the impact of the political developments in the frontline states might have been, there was definitely an increase in unrest, including some strikes, on a number of mines in 1975. In the wake of the unrest various groups of workers were dismissed, resulting in a further drop in the labour complement. Given these shortages, the mines had to look to other sources. As the graphic indicates, there was a marked increase in recruiting from Zimbabwe, but this proved short lived. After Zimbabwean independence recruitment fell back to zero.

Nkunzi Evictions Report

- It is useful to see the evictions against the background of employment trends on farms
- The two years when the highest number of evictions occurred were 1984 and 1992: this seems to correspond with periods of severe drought.
- The next highest number of evictions was in 2003 when the sectoral determination for agriculture, in terms of the Basic Conditions of Employment Act, came into effect with, amongst other things, the setting of a minimum wage for farm workers.

REPORT OF THE NGC

- **The Freedom Charter** affirms that “There Shall be Work and Security!” Since 1994, the legislative and regulatory environment of the labour market has been radically transformed, and in the process many of the Charter’s demands have been realised. The labour market framework now in place builds stability, and reduces tension, conflict and strikes. Has allowed for massive social transformation without significant disruptions to production, which must be regarded as a major achievement of the democratic order.

- In this context, whatever recommendations we make on the question of labour market reform should be informed by deeper understanding of labour markets that takes account of **a broad range of inputs**.

- Further research is required to quantify the effects of labour market regulation for job creation, particularly in the second economy. This research must answer questions about the **efficiency of institutions** and labour market outcomes, in order to identify the broader **inefficiencies in the labour market** and their impact on labour absorption and job creation.

- In the context of answers to these questions, labour market reform should be considered as **one part of a broader developmental vision**, which links industrial policy, macroeconomic policy and social policy to our objectives of halving unemployment by 2014.

From flexibility to efficiency

SUPPLY OF LABOUR

- Pre-Labour Market discrimination
- Information
- Access to resources to respond to information
- Transport and other infrastructure
- Education, training, capabilities
- General health & HIV

'MARKET INTERMEDIATION'

- Information
- Networks
- Regulation
- Labour market matching institutions (brokers, placement agencies, etc)
- Bargaining
 - level of bargaining
 - union density

DEMAND FOR LABOUR

- Recruitment behaviour
 - Employment Equity vs discrimination
 - Internal training
- industry structure
 - high productivity vs low productivity
 - Competition vs Monopoly
- General growth conditions

Institutional Challenges

- Transaction costs and regulation
- Decentralised and centralised agents, and economies of scale in labour regulation
- Institution building
- Institutions and elite-bias
- Unions and regulation
- Industrial policy and labour absorption
 - EPWP
 - Home based care

Research questions

- What key interventions would significantly reduce transaction costs associated with the current labour market regime, especially for small business?
- Unpacking “Unit Labour Costs”: The social wage, spatial patterns, wages, skills/productivity?
- Growth sectors and new methods of organisation: farm-workers, private sector services, the informal periphery, taxi drivers and traders.

Revisit the September Commission

■ ORGANISING NEW WORKERS

- Vulnerable sectors, particularly construction, farming, parts of retail and catering and domestic workers.
- Vulnerable layers of workers in otherwise strongly organised sectors such as manufacturing, mining, the public sector, and the retail chains.
- The informal sector.
- Migrants (including non-South African citizens)

■ OPTIONS

- a) **Continue with no change** COSATU could continue as it currently does. The result could be weak affiliates in many vulnerable sectors. The affiliates that are currently strong and well-organised would remain so. But overall, COSATU's position in the labour market would be weakened, and this would be likely to affect its influence at a political level, and at NEDLAC.
- b) **Commitment to a concerted strategy** to organise vulnerable sectors: COSATU could commit itself to a concerted strategy, as a federation, to ensure that vulnerable sectors are organised.