

# South Africa Country and Sectoral Analysis

February 2004

While all NALEDI publications adopt a pro-labour perspective,  
their conclusions do not represent the policies of COSATU



NATIONAL LABOUR & ECONOMIC DEVELOPMENT INSTITUTE

**NALEDI**

6th Floor COSATU House  
1 Leyds Street, Braamfontein  
Johannesburg  
*Tel.:* (011) 403-2122  
*Fax:* (011) 403-1948  
*E-mail:* [naledi@org.za](mailto:naledi@org.za)

*Report commissioned by*  
**EconPolicy Research Group, Ltd.**  
Rua de Kassuende, 393  
Maputo, Mozambique  
*Telefax:* 258-1-486286  
*E-mail:* [admin@econpolicy.org](mailto:admin@econpolicy.org)



*on behalf of*  
SiD Africa Austral

# Contents

<b>1. Introduction .....</b>	<b>1</b>
<b>2. The Socio-Economic Situation .....</b>	<b>3</b>
2.1 Globalisation: Tendencies and National Strategies.....	3
2.2 Protection and Export-Oriented: Trade Accords as a Wedge .....	4
2.3 Exports and Markets .....	7
2.4 Social and Economic Indicators.....	14
<b>3. Target Economic Sectors: General Dynamics and Outlook...19</b>	
3.1 Manufacturing.....	19
3.2 Agriculture.....	21
3.3 Construction .....	22
3.4 Transport .....	24
3.5 HIV/AIDS.....	25
<b>4. The Labour Market Situation Affecting the Target Sectors ..29</b>	
4.1 Employment Situation .....	29
4.2 Formal and Informal Sectors .....	41
4.3 Salaries and Purchasing Power.....	43
4.3 Principal Labour Legislation .....	49
4.4 Compliance with the Labour Laws.....	54
4.5 Vocational Training Structure.....	55
4.6 Examples of Sectoral Challenges in two sectors.....	59
4.7 Collective Bargaining System.....	61
4.8 Analysis of union perspectives on labour legislation.....	62
<i>Labour Relations Act .....</i>	<i>62</i>
<i>Employment Equity Act .....</i>	<i>63</i>
<i>Basic Conditions of Employment Act.....</i>	<i>63</i>
<i>Skills Development Act .....</i>	<i>64</i>
<i>Present Labour Laws and Organisational Rights.....</i>	<i>65</i>
<b>5. The State of the Labour Movement.....65</b>	
<b>6. Conclusion.....82</b>	
Transformation of the Apartheid Workplace .....	82
Defend Quality Jobs.....	83
Building the Union .....	83
Addressing HIV/Aids.....	83
<b>References .....</b>	<b>83</b>

## 1. Introduction

This paper comprises the South African component of a regional study into the social, political and economic contexts of Swaziland, Mozambique, Zimbabwe, South Africa and Angola.

The paper commences with a general summary of South Africa's national characteristics, followed by analyses of the socio-economic, sectoral, labour market and labour movement conditions in the four target sectors identified by the General Workers' Union of Denmark (SiD). These four sectors (agriculture, industry, transport and construction) were selected to match those in which SiD itself organises.

South Africa is comprised of nine provinces, totalling 1,219,090 km<sup>2</sup>. It has common boundaries with the republics of Namibia, Botswana and Zimbabwe, while the Republic of Mozambique and the Kingdom of Swaziland lie to the north-east. Completely enclosed by South African territory in the southeast is the mountain Kingdom of Lesotho. To the west, south and east, South Africa borders on the Atlantic and Indian oceans.

South Africa is divided into nine provinces, each with its own Legislature, Premier and provincial members of executive councils. The provinces each have their own distinctive landscapes, vegetation and climate. The provinces are the Western Cape, the Eastern Cape, KwaZulu-Natal, the Northern Cape, Free State, North West, Gauteng, Mpumalanga and Limpopo (formerly Northern Province).

The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), was approved by the Constitutional Court (CC) on 4 December 1996 and took effect on 4 February 1997. The Constitution is the supreme law of the land. No other law or government action can override the provisions of the Constitution. Government is constituted as national, provincial and local spheres, which are distinctive, interdependent and interrelated. The powers of the law-makers (legislative authorities), governments (executive authorities) and courts (judicial authorities) are separated.

The National Assembly consists of between 350 and 400 members elected through a system of proportional representation. In the 1999 national election, the African National Congress (ANC) gained 266 seats in the National Assembly, the Democratic Party (DP) 38, the Inkatha Freedom Party (IFP) 34, the New National Party 28, the United Democratic Movement 14, the African Christian Democratic Party 6, the Pan Africanist Congress 3, the United Christian Democratic Party 3, the *Vryheidsfront* / Freedom Front 3, the Freedom Alliance 2, the *Afrikaner Eenheidsbeweging* 1, the Azanian People's Organisation 1, and the Minority Front 1<sup>1</sup>. A subsequent alliance between the Democratic Party and the New National Party fell apart in 2002, with the New National Party (the successor to the Apartheid National Party) switching allegiances to an alliance with the ruling ANC. This allowed the ANC to gain control of the Western Cape legislature from the Democratic Party. The only provincial legislature not held by the ANC in early 2004 is the KwaZulu-Natal province, which is dominated by the IFP with a slight majority. The ruling ANC operates within a Tripartite alliance, comprising the ANC, the South African Communist Party (SACP) and largest workers federation, COSATU. This alliance was established before the 1994 election, and is still in existence as the largest political alliance in the country. Senior government officials are drawn from the ranks of the tripartite alliance.

The National Council of Provinces (NCOP) consists of 54 permanent members and 36 special delegates, and aims to represent provincial interests in the national sphere of government. Delegations from each province consist of 10 representatives. This structure was set up under the constitution to allow for an element of federalism in the constitutional

---

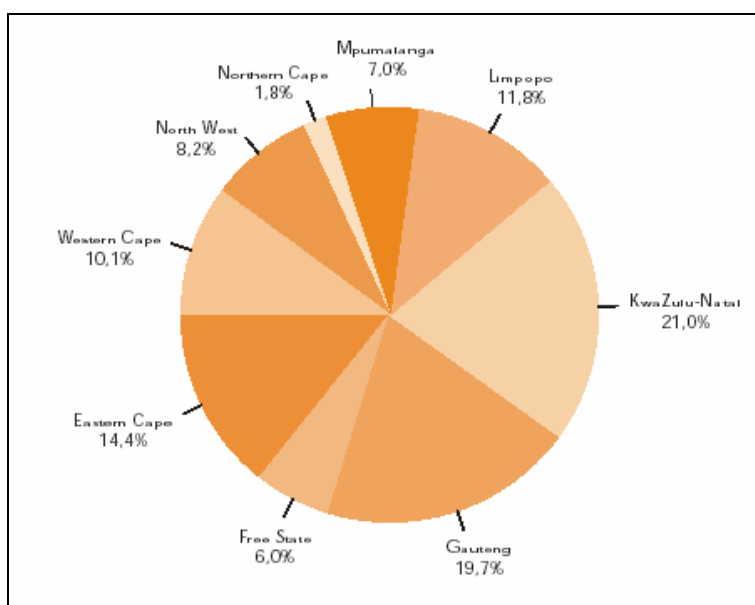
<sup>1</sup> Registered voters totalled 18,1 million, representing a turnout of 89%.

negotiations. The NCOP gets a mandate from the provinces before it can make certain decisions. It cannot, however, initiate a Bill concerning money, which is the prerogative of the Minister of Finance (GCIS 2003).

According to the Constitution, the institution, status and role of traditional leadership, according to customary law, are recognised, subject to the Constitution. The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998), was amended during 2000, providing enhanced representation (20%) of traditional leaders in municipal councils. The Constitution mandates the establishment of Houses of Traditional Leaders by means of either provincial or national legislation. Provincial houses of traditional leaders have been established in all six provinces where traditional leaders are found. These feed into the National House of Traditional Leaders, established in April 1997. The National House advises national government on the role of traditional leaders and on customary law. It may also conduct its own investigations and advise the President on request.

According to Statistics South Africa (the official source of data), the country's population estimate in the year 2001 stood at 44,561 million, of which some 23,122 million were women. The 2001 national census results show that the South African population increased from 40,5 million people in 1996 to 44,8 million people in 2001 – a growth of 10%. The most populous province is KwaZulu-Natal, containing 20% of the population, followed by the economic hub, Gauteng, with 19,7%.

**Figure 1: Distribution of the population of South Africa by province, 2001**



The South African population consists of the following groups: the Nguni people (consisting of the Zulu, Xhosa, Ndebele and Swazi), who account for two-thirds of the population; the Sotho-Tswana people, who include the Southern, Northern and Western Sotho (Tswana); the Tsonga; the Venda; Afrikaners; English; Coloureds; Indians, and people who have immigrated to South Africa from the rest of Africa, Europe and Asia and who maintain a strong cultural identity. A few members of the Khoi and the San also live in South Africa. The census revealed that 79% classified themselves as African; 9,6% as white; 8,9% as coloured; and 2,5% as Indian/Asian. The Constitution provides for 11 official languages, namely Afrikaans, English, isiNdebele, isiXhosa, isiZulu, Sepedi, Sesotho, Setswana, siSwati, Tshivenda and, isiXhosa (StatsSA 2001 census).

Almost 80% of South Africa's population classify themselves as Christians. Other major religious groups represented are Hindus, Muslims and Jews. A minority of South Africa's population do not belong to any of the major religions, but regard themselves as traditionalists or of no specific religious affiliation. Freedom of worship is guaranteed by the Constitution, and official policy is one of non-interference in religious practices.

South Africa has a sophisticated financial and physical infrastructure, good telecommunications and energy supply networks and one of the top 10 stock exchanges in the world. A number of South African companies are global competitiveness leaders in their fields. The challenge is to promote economic growth significant enough to reduce the country's substantial unemployment levels and address the redistribution issues associated with the country's colonial and Apartheid economy that is often referred to as the 'dual-economy'.

## 2. The Socio-Economic Situation

### 2.1 Globalisation: Tendencies and National Strategies

South Africa has undertaken a far-reaching trade liberalisation programme, agreed to under the General Agreement on Tariffs and Trade (GATT) in 1994 and implemented under the World Trade Organization (WTO). This built on trade reforms introduced by the previous government. The average tariff level has been dropped by approximately one third over five years from 1995, and more than 10 000 tariff lines have been rationalised to less than 6 000. The differentiated tariff rates are being standardised to just six rates ranging between 0% and 30% (Roberts 2001). The steepest reductions have been implemented in those sectors previously most heavily protected. Quantitative and formula duties have been converted to *ad valorem* tariffs and other trade-related measures, which contravened WTO rules, such as local content requirements and export incentives, were abolished.

The tariff liberalisation programme, however, goes further than required by the GATT agreement, and has been justified by the South African Government in its macroeconomic strategy as being a vital element in generating export-led growth.<sup>2</sup> The expected export-led growth resulting from the altered incentives under liberalisation has not however occurred (Roberts 2000b), and extensive evidence of job losses has instead become apparent as vulnerable industries such as clothing and textiles have been overwhelmed by rapidly increasing international competition, with no phased in reduction of tariffs. In addition, many sectors that have experienced rapid growth in exports, such as basic metals, have also experienced job losses as companies restructure to integrate into global industries.

Critics of this 'sharp shock' approach to forced competitiveness improvements note that the process seems driven by ideological imperatives within the Ministry of Trade and Industry rather than a considered approach to the issue of job retention in a context of massive unemployment. These critics, chief amongst them being trade unions, point to evidence of the viability and necessity of phased reductions in protection within the successful Motor Industry Development Programme or MIDP, which has seen automotive sector production and exports increase significantly whilst jobs have been retained, if not slightly increased. The automotive sector was viewed by the Department of Trade and Industry as a key component of South Africa's industrial development. Consequently, the automotive sector was identified as needing intensive support in order to protect it whilst

---

<sup>2</sup> The policy document Growth, Employment and Redistribution: A Macroeconomic Strategy stated '....the central thrust of trade and industrial policy had to be the pursuit of employment creating international competitiveness' and noted various trade liberalisation measures as the policy 'achievements' towards this end (Republic of South Africa 1996).

making it internationally competitive. In essence, this led to concessions in terms of the pace of liberalisation in the sector, i.e. a more gradual approach was adopted.

Within the SADC region, however, South Africa has been sharply criticised maintaining a huge trade surplus while keeping tariffs high and quotas low in exactly the industries where the poorer countries might be able to compete and grow, e.g., shoes and garments (Coughlin, Musa and Darga 2001).

While trade flows have increased, the mean annual growth of manufacturing production over the 1990s rose by just 0.3% and employment in manufacturing over the decade decreased to 81% of its 1990 level by 1999 (Roberts 2001:4). Industrial policy measures instituted by the government since 1994 consisted of a range of support measures aimed at impacting on the supply-side of firms [correct, just a paraphrase](Hirsch 1997 cited in Roberts 2001:4). These included various investment incentives and a tax holiday programme, education and training measures, research support and programmes targeted at small and medium enterprises.

These measures were introduced because policy makers believed that the missing ingredients for export success were productivity and international competitiveness. These measures were influenced by the analyses of the World Bank, and fall under the Bank's label of being market friendly. Alongside Government's supply-side measures, the state-owned Industrial Development Corporation also continued in its provision of low interest loans and equity finance mainly to large-scale minerals beneficiation projects. However, these measures have suffered from a lack of promotion and acceptance by business, and have not been able to achieve the depth of value chain penetration provided by the blanket coverage of protective tariffs. As a result, the measures have only achieved limited success in halting overall job losses, but have been successful in promoting increased competitiveness and exports in those firms that have accessed them.

## **2.2 Protection and Export-Oriented: Trade Accords as a Wedge<sup>3</sup>**

For both recent and historical reasons, SADC member states—including South Africa—belong to a *mélange* of overlapping trade agreements, including regional free trade areas (SADC, COMESA, Commission for East African Cooperation), customs unions (SACU), bilateral free trade agreements (e.g., European Union/South Africa and India/South Africa), initiatives (Cross-Border Initiative), bilateral preferential trade agreements,<sup>4</sup> and other, agreements between regions and individual states (MERCOSUR/South Africa) (Chart 1). New agreements are also rapidly being negotiated (e.g., between South Africa and the US), and even Mozambique is about to reevaluate its posture, including whether it should join SACU and, thereby, “dock” into various accords that South Africa has already negotiated in the region and across the globe. On top of this, the US and the EU have granted attractive, unilateral concessions via the Africa Growth and Opportunity Act (AGOA) and the Everything But Arms Amendment (EBA), wiping out tariffs and quotas for the vast majority of their imports from Africa, except petroleum, albeit the benefits are greatly restricted by the rules of origin especially into Europe.<sup>5</sup>

---

<sup>3</sup> This section was written by Peter Coughlin of EconPolicy Research Group, Ltd., and does not necessarily agree with Naledi's analysis.

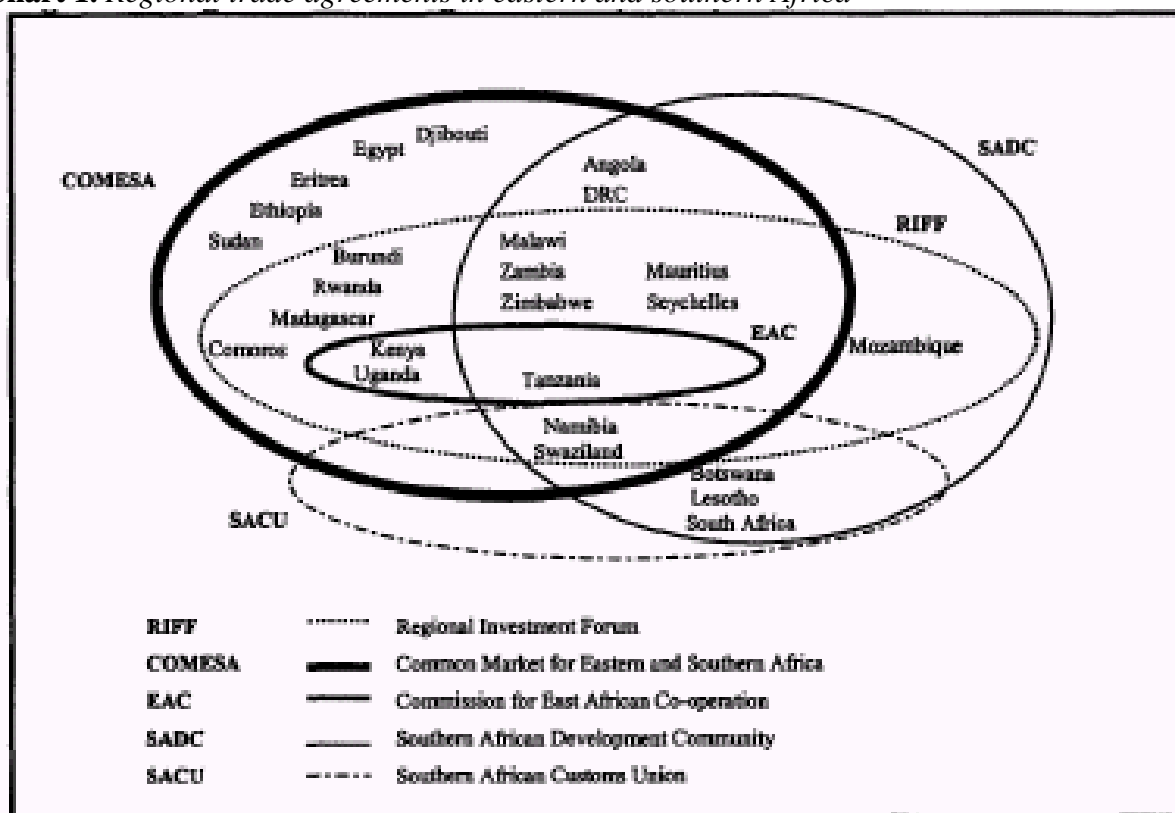
<sup>4</sup> “Most countries in the region, especially southern Africa are engaged in or considering bilateral trade and investment agreements. Malawi, Mozambique, and Zimbabwe, respectively, have seven, eight and ten bilateral agreements with another SADC country. Angola has six, while South African and Botswana have four bilateral trade agreements with another SADC member state” (Ia Rocha 2003: 3).

<sup>5</sup> “[The EBA's] rules of origin are less liberal than those currently applying to ACP countries under the Cotonou Agreement and will likely be even more restrictive than those negotiated in the EPAs. In particular, contrary to the Cotonou rules, EBA rules of origin do not allow for diagonal cumulation of intermediate factors between

Stirring the caldron, the ACP/EU Cotonou agreement mandates the Africa-Caribbean-Pacific states to start negotiating Regional Economic Partnership Agreements (REPAs) between the European Union (EU) and coherent, organized regional groups in September 2003.<sup>6</sup> With few exceptions, the EU wants to simplify its trade regime by negotiating only with regional organizations, a maneuver that will also force states to accelerate the removal of intra-regional trade barriers.

Since each state may belong to only one Economic Partnership Agreement, states must choose, sometimes painfully, just one regional grouping for the purposes of these negotiations and withdraw from any others that negotiate such agreements. Meanwhile, the different regional organizations are advocating conflicting strategies for such negotiations. For example, SADC and, till now, Mozambique have advocated a SADC/EU agreement; COMESA lobbies for a COMESA-SADC agreement with the EU; and Namibia, Botswana, Lesotho and Swaziland want to accede to the South Africa/EU accord.

**Chart 1.** *Regional trade agreements in eastern and southern Africa*



Source: Rocha (2003:2)

With the EU-South Africa accord, South Africa has run ahead of the problem facing other SADC members. Given its strong industrial base, South Africa has sought to **open up markets** to its products by vigorous seeking to sign free trade agreements while significantly **delaying to liberalize** access to its markets, especially those that are not sufficiently robust to resist the onslaught, e.g., textiles and garments. For example, South Africa has a huge trade

ACP countries. ... In addition, EBA does not provide for a comprehensive package of support for regional integration and economic development aimed at integrating ACP economies into the world economy” (la Rocha 2003: 15-16).

<sup>6</sup> According to the Cotonou Agreement, these negotiations should be completed by 2008 and lead to the formation of various economic partnership agreements. Till then, the EU/ACP commercial preferences negotiated under the Lomé Agreement will remain in force.

surplus within the region, a surplus that is likely to grow as regional trade barriers are progressively removed. “South Africa accounts for more than 70% of the intra-SADC imports, enjoying a large trade surplus with the other members, estimated at more than \$US4 billion per year” (la Rocha 2003: 6). Moreover, “the fact that South Africa is a large exporter to SADC, but is a minor importer, suggests that complementarity is low between South Africa and the rest of the SADC region” (Chauvin and Gallier 2002: 21 and 23). Scant prospects exist that South Africa’s imports from SADC countries will grow rapidly. For the needs of the South African market, they produce insufficient variety and quantities.

Worse yet, South Africa has systematically procrastinated in reducing the barriers for the few goods that other SADC countries could produce and export efficiently within the region, e.g., food, beverages and tobacco, refined copper, cotton yarn, travel goods, footwear, toys (Kirchbach and Roelofsen 1998). Such goods—the very ones that might help to offset some of that trade surplus—have “historically attracted a significant level of tariff protection under the SACU trade regime” (Kalanga 2000:11). Though, ostensibly, SACU has agreed to asymmetric tariff concessions that occur faster than the reduction schedules submitted by most other SADC countries, this is partly an illusion. Why? Because the early reductions were on goods either not produced by South Africa or on those where it was quite competitive internationally and, hence, had little to fear from other SADC countries.

Although South African rates of effective protection are not particularly high for many goods, **selectivity** created a **tariff structure** characterized by large differences in tariff levels between and within sectors. Consequently, the moderate average level of protection in South Africa does not necessarily imply that the countries of the region have not faced a high tariff wall: effective rates of protection have, in fact, been highest for those products which are, or could be produced, in the region (like earthenware, clothing, footwear, textiles, foodstuffs and wood products) (Jenkins 2001).

South Africa has vigorously pursued trade negotiations since the coming to power of the ANC in 1994, the largest being a recent Free Trade Agreement (FTA) secured between South Africa and the EU in 2000. Current trade initiatives include:

- continued negotiations with India, Brazil, and Nigeria to establish either FTA’s or greater access. In the case of India, this has already seen a 25% rise in South Africa’s exports to India;
- continued negotiations with Mercosur, a trading bloc of six Latin American countries (Argentina, Bolivia, Brazil, Chile, Paraguay and Uruguay);
- negotiations have commenced with the USA and Nordic countries on separate FTA’s. Similar negotiations may commence with China.
- the administration of various bi-national commissions (BNCs) with other governments;
- the implementation of the new Southern African Customs Union (SACU) agreement concluded in September 2001.

Besides the above, South Africa is also eligible under AGOA to export a huge list of items to the US quota-free and duty-free. Unlike other AGOA-eligible countries, South Africa has a diversified industrial sector and, hence, has been able to benefit from AGOA in many sectors (**Error! Reference source not found.**). For example, in the first nine months of 2003, while Lesotho exported \$282.4 million of garments to the US under AGOA but very little of anything else, South Africa exported \$95.5 million of garments and \$1,001.7 million of other items to the US under AGOA.

Another change is about to happen. On 30 September 2004, the provision will end whereby AGOA-eligible countries with less than \$1,500 per capita income may use cloth



imported from anywhere in the world. **After that date**, all AGOA-eligible countries must use cloth made in AGOA-eligible countries from yarn also made there. This will have three implications:

- The producers in less developed AGOA-eligible countries will need to buy more expensive cloth made within the region and, hence, those countries will lose some of their competitive advantage and attractiveness as a destination for investment.
- For that same reason, South Africa will become a more desirable destination for investors in the garment industry interested in selling to the US under AGOA's provisions.
- The regional demand for yarn and cloth will increase and, since South Africa is a major supplier of these within the region, significant demand will be channeled to its producers when the "lesser developed country" provision of AGOA ends.

However, not having surveyed investors and producers, one can only indicate the direction, not the magnitude of these shifts.

### 2.3 Exports and Markets

The trade objectives of Government focus on increasing access to the markets of the developed world and being allowed to compete freely on equal terms. South Africa, like other developing economies, is highly susceptible to trends in the economies of its major trading partners, which comprise the United States [US], United Kingdom [UK], Europe and the Far East. Southern African regional political instabilities sometimes negatively affect investor perceptions but South Africa has been highly commended by multi-lateral institutions for its macro-economic policies, although domestic criticism has been fierce, including from organised labour. Among emerging markets world-wide, South Africa is a leader and a competitive producer of not just raw commodity exports but also high value-added goods, such as motor vehicles.

Since 1994, the Rand (South Africa's currency) value of both South Africa's exports and imports in manufactured goods has grown steadily. The depreciation of the Rand during 2001 and 2002 greatly boosted South African exports, allowing exporters to increase sales and win orders, but creating difficulties for importers. Significantly, exports in manufactured goods, exhibited strong upward trends into 2002. The nominal value of merchandise exports, which had increased in the first half of 2002, remained more or less flat in the second half of the year before falling by about 10.5% in the first half of 2003. The volume of exports for 2002 as a whole fell back by 4%. Weak demand conditions in the global economy impacted negatively on world trade, canceling out the improved competitiveness of South African producers due to the lower real effective exchange rate in 2002 compared to 2001. Global demand remained weak in early 2003, and was reflected in a decrease of 0.5% in the volume of merchandise exports in the first half of 2003 compared to the second half of 2002. Once again, the value of the Rand is a key determining factor, with the Rand having regained its 2001 losses in 2002 and 2003, to the point where exporters are now expressing anxiety over the continued strength of the Rand. Some sectors such as mining and manufacturing started to retrench workers in mid 2003 claiming that this was due to decreased export sales caused by the Rand's strength. COSATU and affiliates such as the clothing and textile affiliate SACTWU have consistently come out against the Reserve Bank's policy of propping up the currency at the expense of jobs.

South Africa's export base is diverse yet is, however, small globally, with Africa's exports as a percentage of world imports constituted just 2,1% in 1998. Critics of the liberalisation drive maintain that it has been too extensive, and that a relatively small economy such as

South Africa's should not become excessively dependent on export markets for growth. What is of interest is that research conducted into the benefits of trade liberalisation seems to bear this out. Firms which have embraced exporting have reported higher volumes, but not necessarily higher turnover. This is true of both high and low turnover growth firms. What has occurred is that exposure to international competition has prompted restructuring, in most cases directed at labour costs, resulting in job losses (Roberts 2001). Research conducted by Naledi and Bentley-West in the metals and engineering sector noted that successful exporting firms did not increase their staff complements. In most cases the increased client requirements have prompted increased capitalisation rather than increased staffing. Export led growth in the sector has resulted, with few exceptions, in only marginal employment gains, often of a precarious nature, across a range of sub-sectors (Naledi 2003).

However, while SA has managed to negotiate highly preferential trade agreements with a range of partners, including the EU, SADC<sub>1</sub>, the US (under Agoa<sub>2</sub>) and others, critics claim that the benefits of these agreements have accrued only slowly to SA and the region (TIPS: 2003:1). The reasons for this include the volatile exchange rate and the existence of non-tariff barriers in developed country markets.

Trade with South Africa's major trading partners can be summarised as follows in the graphs below, and the descriptions that follow (GCIS 2003). The graphs provide a summary of current trade statistics for 2003, while the descriptions provide background to the current context. The first table provides an overview of South Africa's trade by region, according to the top three non-mineral exports and imports.

**Table 1: Top three South African non-mineral exports and imports by region (HS4; Q3 2003)**

Regions	Exports			Imports		
	Products	Value (R'000)	Share (%)	Products	Value (R'000)	Share (%)
EU	Machinery	1,505,746	14.2	Vehicle Components	3,440,017	14.5
	Motor Vehicles	845,791	8.0	Motor Vehicles	1,878,815	7.9
	Wine	780,892	7.4	Pharmaceuticals	1,056,340	4.4
East Asia	Motor Vehicles	1,847,133	43.6	Vehicle Components	1,760,855	16.1
	Wood Chips	530,188	12.5	Data Processing Equipment	613,209	5.6
	Citrus Fruit	188,143	4.4	Motor Vehicles	529,166	4.8
NAFTA	Motor Vehicles	910,918	23.9	Aircraft	557,188	9.0
	Machinery	223,299	5.9	Motor Vehicles	314,966	5.1
	Vehicle Components	187,387	4.9	Medical and Surgical Equipment	194,792	3.2
SADC	Goods Vehicles	244,420	4.9	Cotton	212,022	20.5
	Maize	192,910	3.8	Works of Art	92,368	8.9
	Fertilisers	165,033	3.3	Tobacco	37,584	3.6
Middle East	Citrus Fruit	176,911	18.1	Nitrogenous Fertilisers	193,995	18.8
	Sugar and Sugar Products	88,097	9.0	Acylic Hydrocarbons	60,458	5.8
	Chocolate and Chocolate Products	36,343	3.7	Potassic Fertilisers	48,204	4.7
South-East Asia	Chemical Wood Pulp	159,281	20.0	Vehicle Components	240,159	9.6
	Motor Vehicles	105,799	13.3	Office Equipment Parts	220,489	8.8
	Citrus Fruit	37,578	4.7	Data Processing Machines	190,666	7.6
South America	Insecticides	48,876	14.9	Vehicle Components	480,934	26.0
	Vehicle Engine Parts	34,832	10.6	Soybean Oil	184,992	10.0
	Fertilisers	30,171	9.2	Soybean Oilcake and Residue	169,117	9.1

Note: Share refers to the proportion of total exports/imports from the specified trade partner

Source: TIPS Trade and Industry Monitor No.28:2003:10

The table below goes on to examine South Africa's overall global trade, according to the top 10 products exported, and imported. As can be seen, South Africa's exports remain dominated by largely unbeneficiated primary products. In the top ten products, only around 30% is comprised of manufactured goods, and even that may be a generous figure, as the nuclear reactors category refers mainly to nuclear fuel.

**Table 2: SA trade with the world: Top 10 products (HS2; Q3 2003)**

Products	Total Exports (Rbn)	Percentage of Total Exports	Products	Total Imports (Rbn)	Percentage of Total Imports
Precious Metals	15	23.9	Nuclear Reactors	11.2	17.4
Iron and Steel	7.5	12.0	Minerals and Fuel Oils	8.2	12.8
Motor Vehicles	6.1	9.8	Electrical Machinery	6.2	9.8
Nuclear Reactors	4.1	6.5	Vehicle Components	6.2	9.7
Minerals and Fuel Oils	3.9	6.2	Motor Vehicles	5	7.8
Fruits and Nuts	2.11	3.4	Professional and Scientific Equipment	2.2	3.4
Ores, Slag and Ash	2.1	3.3	Pharmaceutical Products	1.6	2.5
Aluminium Products	1.9	3.0	Plastics	1.6	2.5
Beverages	1.4	2.2	Precious Metals	1.5	2.3
Electrical Machinery	1.2	2.0	Organic Chemicals	1.4	2.2
Total	45.3	72.3	Total	45.1	70.5

Source: TIPS Trade and Industry Monitor no.28:2003:10

South Africa's trade by region is dominated by the EU, followed in roughly the same proportion by East Asia, NAFTA and SADC, as shown in the table below. This order has remained unchanged from the third quarter of 2002 to the third quarter of 2003. It appears as if exports have started to recover from the dampening effects of the stronger Rand, while imports have not necessarily increased significantly.

**Table 3: SA Trade by Region (Rbn)2002/03**

	Q3 2002		Q3 2003		Q2 2003		Q3 2003	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
EU	21.0	29.3	20.2	26.1	18.8	25.4	20.2	26.1
East Asia	7.5	11.8	10.0	11.6	9.3	11.1	10.0	11.6
NAFTA	6.7	9.5	6.6	6.6	6.1	7.0	6.6	6.6
SADC	6.4	1.4	6.0	1.5	5.7	1.3	6.0	1.5
Middle East	2.7	3.6	2.3	5.3	2.2	3.6	2.3	5.3
South-East Asia	1.6	3.0	1.6	2.7	1.7	2.6	1.6	2.7
South America	0.7	1.8	0.6	2.1	0.7	1.7	0.6	2.1
Rest of Africa	2.6	1.1	2.6	1.2	2.5	1.2	2.6	1.2
Rest of the World	15.1	7.7	12.9	6.9	11.9	7.0	12.9	6.9

Source: TIPS Trade and Industry Monitor no.28:2003:10

Finally, an examination of the top ten export markets and import sources by country, reveals that the top ten export markets comprise just over 50% of total exports, and the UK, US and Japan together comprise 55% of this share. Imports are spread more evenly.

**Table 4: Top 10 Export Markets and Import Sources (Q3 2003; all products)**

Exports			Imports		
Country	Value (Rbn)	Share (%)	Country	Value (Rbn)	Share (%)
UK	6.4	10.3	Germany	9.4	14.9
US	6	9.5	US	5.9	9.2
Japan	5.3	8.5	UK	5.6	8.7
Germany	3.4	5.4	China	4.5	7.1
Netherlands	3	4.8	Saudi Arabia	4.4	7.0
Italy	1.7	2.7	Japan	4.3	6.7
Belgium	1.6	2.6	France	2.8	4.4
China	1.6	2.6	Iran	2.5	3.9
Spain	1.5	2.4	Italy	2.2	3.4
Australia	1.5	2.4	Brazil	2.5	2.3
Total	32.1	51.3	Total	43.2	67.5

Source: TIPS Trade and Industry Monitor no. 28:2003:10

### ***Africa and the Middle East***

In 1999, approximately 30% of South Africa's exports were destined for Africa and the Middle East. Imports from the continent, accounted for 30% of South Africa's total imports. Africa is a strategic trade arena for South Africa, with the New Partnership for Africa's Development (NEPAD) forming the cornerstone of South Africa's African foreign relations. South Africa works closely with its neighbours in engaging with multilateral international institutions and agreements, from the World Trade Organisation (WTO) to the African-Caribbean-Pacific (ACP) nations.

### ***Southern African Development Community***

The centre of South Africa's foreign economic policy is the Southern African Development Community (SADC), comprising Angola, Botswana, Democratic Republic of the Congo (DRC), Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. Within the SADC, a smaller group of countries - South Africa, Botswana, Lesotho, Namibia and Swaziland comprise the Southern African Customs Union (SACU).

Trade with SADC countries has increased from R16 billion to R22 billion in the period 1998 - 2000. Imports totalled R2,6 billion. The South African export trade profile itself is dominated by beneficiated and manufactured goods, while primary products dominate imports from SADC. A disaggregation of South Africa's exports to SADC countries reveals that Zimbabwe is by far the most important market, followed by Mozambique, Zambia, Mauritius, Malawi, Tanzania and Angola. In the past few years, trade with Zimbabwe has decreased due to the internal political and economic turmoil. Peace in Angola and the DRC, and Lesotho's peaceful democratic elections in May is expected to lead to increases in trade to these countries.

Angola and the DRC have remained in South Africa's top 10 export markets in Africa in the past eight years. Similar to exports, South Africa's imports from the region are focused on a few countries, with the top 10 countries accounting for between 80% and 90% of total imports from Africa. Zimbabwe is South Africa's top supplier in Africa, followed by

Mozambique, Malawi, Zambia and Angola. Growth in South African manufactured exports to SADC countries in 2001/02 grew at 13,9%, despite elements of regional instability.

Despite misgivings from Labour, the process towards a SADC Free Trade Agreement are moving ahead rapidly. This includes the implementation phase of the SADC Protocol on Trade on 1 September 2000, which encompasses the establishment of a SADC Free Trade Area (FTA) by 2008. A Trade Implementation Unit was set up at the SADC Secretariat to co-ordinate the day-to-day implementation of the Protocol.

### ***Europe and the European Union***

Europe is the largest source of investment for South Africa and accounts for almost half of South Africa's total foreign trade. Seven of South Africa's top 10 trading partners are European countries. In 2001/02, South African manufactured exports to Europe grew by 19,8%. Both bilateral development co-operation and multilateral development programmes through the European Union (EU) form a substantial element of South Africa's development.

The UK, is South Africa's third-largest trading partner and the largest foreign investor in South Africa. Germany is South Africa's second-largest trading partner. A Trade and Development Cooperation Agreement between South Africa and the EU was provisionally implemented on 1 January 2000, establishing a FTA between South Africa and the EU. South Africa will grant duty-free access to 86% of EU imports over a period of 12 years, while the EU will liberalise 95% of South Africa's imports over a 10-year period. The Agreement is a key component of South Africa's trade policy. Statistics compiled by the South African Revenue Service show that increasing use is being made of the tariff preferences in the Agreement and more so on the export side. South African exports under the FTA exceed imports from the EU (GCIS 2003). This does not mean, however that there are no criticisms of the agreement. The system of agricultural subsidies in the EU has been identified by unions in the sector as well as NGOs as undermining the spirit of the agreement as well as endangering South Africa's food security.

### ***North America***

In 2001/02, South African manufactured exports to the North America Free Trade Agreement (NAFTA) grew by 16,6%. South Africa recorded a trade surplus of approximately R3,4 billion in 2000, following a number of years during which South Africa ran a deficit. The US exports higher value-added products to South Africa while South African exports to the US consist largely of unprocessed and semi-processed materials.

South Africa is a beneficiary of the US' Generalised System of Preferences (GSP), which grants duty-free treatment for more than 4 650 products. South Africa is also a beneficiary of the Africa Growth and Opportunity Act (AGOA), which permits duty-free entry of clothing and selected textiles into the US until 30 September 2008, subject to the yarn-forward rule<sup>7</sup> and other strictly defined criteria and policy reforms. Under AGOA, South Africa receives additional GSP (duty-free) treatment for 1 897 products until 2008. AGOA was proclaimed on 2 October 2000 and originally designated 34 countries in sub-Saharan Africa as eligible for the trade benefits of AGOA. The South African-US Bilateral Co-operation Forum has replaced the BNC between the two countries. South Africa was exempted from new US steel tariffs imposed in 2002. Canada is South Africa's second-largest trade partner in North America. Since the lifting of sanctions in 1994, bilateral trade between the two countries has been on the increase, from R756 million in 1993 to R3,3 billion in 2000. Export opportunities for South Africa exist in: capital equipment (mining and machinery supplies), plastics,

---

<sup>7</sup> Since South Africa's per capita income is more than \$1,500, to be eligible under AGOA, South African garments exported to the US must be made from cloth made in AGOA-eligible countries with yarn also made in those countries.

clothing and textiles, and also agro-processing. South Africa is listed on Canada's General Preferential Tariff (GPT) system. GPT rates range from duty-free to reductions in the most favoured nation rates. South Africa has a Memorandum of Understanding with Canada relating to the export of clothing and textile products to Canada.

South Africa is currently negotiating a Free Trade Agreement with the US. Civil society stakeholders, including unions, have warned, however, that the US is seeking to implement clauses in current FTAs with developing countries that will include the contested “New Singapore issues” such as government procurement, intellectual property rights and investment exemptions for US firms.

### ***Latin America***

South Africa's major trading partners in Latin America are Brazil, Argentina, Chile, Mexico and Peru. South Africa and Mercosur signed a Framework Agreement in December 2000 in Brazil. It commits both parties to negotiate and conclude a FTA. As the first step towards achieving this goal, the parties agreed to exchange preferences in certain sectors in the early stages of the negotiation process. Talks are currently ongoing.

Trade between South Africa and Mercosur grew substantially from R2,7 billion in 1994 to R6 billion in 2000. Brazil is increasingly becoming a strategic partner for South Africa, as evidenced by the recent alliance between the two countries and India in resisting Developed country pressure at the WTO ministerial talks in Cancun in 2003. Chile is also increasingly becoming an important partner for South Africa. South African mining companies are heavily involved in mining activities in Chile. Exports of capital equipment and steel products are growing. Trade between South Africa and Mexico grew from R922 million in 1999 to R1,4 billion in 2000. The balance of trade has been in favour of South Africa for a number of years. Bilateral trade between South Africa and the Andean Community (Peru, Ecuador, Bolivia, Colombia and Venezuela) has been growing at a relatively slow pace since 1994, with the mining industry attracting South African attention.

### ***South and South-East Asia and Australasia***

South Africa is a member of the Indian Ocean Rim Association for Regional Co-operation (IOR-ARC), a project-based regional economic grouping of 19 countries with Indian Ocean shorelines. The IOR-ARC member countries account for about 10% of world trade. Currently, South Africa is involved in three main projects: development, upgrading and management of seaports, maritime transport, insurance and re-insurance; a study on cross-border financial services in the IOC-ARC; and technology co-operation in the Indian Ocean Rim.

Total trade with India has been increasing rapidly since 1994. Manufactured exports from South Africa increased by 25% over 2001/2002. Total two-way trade between the two countries stood at over US\$2 billion in 2002, with the trade balance in favour of South Africa. South Africa and India have an Indo-South African Commercial Alliance that meets under the auspices of the Joint Ministerial Commission. The two countries are exploring the possibility of a FTA.

Total trade with Australia amounted to R8,2 billion in 2000. South African manufactured exports to Australia grew by 17,3% in 2001/02. Bilateral trade with south-east Asia increased rapidly off a low base from 1990. This trade is more or less evenly spread between Singapore, Malaysia, Indonesia and Thailand. The percentage of total south-east Asian trade that any one country captures ranges between 19% and 28%. South Africa has built its strongest ties in south-east Asia with Malaysia. Malaysia is the second-largest investor on a cumulative basis in South Africa since 1994. This investment over the period came to R6,67 billion and was concentrated in telecommunications, energy and oil, and property.

### *North-East Asia*

Japan is South Africa's largest trading partner in Asia and its fourth-largest overall trading partner. It also became South Africa's third-largest export destination during 2000. At the end of 2000, total trade between the two countries stood at R31,7 billion. A Partnership Forum exists, designed to strengthen bilateral ties between Japan and South Africa. Investment from Japan has to date totaled in excess of US\$500 million, of which the most recent was in the South African auto industry. South Korea is South Africa's fourth-largest bilateral trading partner in Asia. Total bilateral trade in 2000 amounted to R7,6 billion. Investment from South Korea has to date totaled around US\$55 million. Economic and trade relations between South Africa and the People's Republic of China have grown rapidly since the formal establishment of diplomatic relations. Total trade with China amounted to R9,34 billion in 2000. This represented an increase of 40% in the Rand value of trade on the previous year. South African exports to Taiwan amounted to R3,69 billion in 2000. Imports amounted to R4,22 billion in the same period. Trade with China and Taiwan in 2001/02 reflected a rise of 63% in manufactured exports from South Africa. However, the sharp appreciation of the Rand in 2003, when it regained the losses experienced in 2001/02, may impact the level of these exports negatively.

## **2.4 Social and Economic Indicators**

The social and economic indicators of South Africa reveal a country attempting to overcome the socio-economic legacy of the dual economy. As an illustration of the challenges facing the nation, a few findings are summarised below from the 2001 national Census:

- Of those South Africans aged 20 and above, only 20,4% have completed the full term of schooling, and 8,4% have attained some form of post-school higher qualification. However, 18% have received no formal schooling at all.
- Housing categories were in 2001 occupied by citizens in the following percentages: formal 64%, informal 16%, traditional 15%.
- Illustrating the ongoing challenges facing government to electrify previously disadvantaged households, 20% of the population still use wood for cooking, 25% use wood for heating and 23% utilise candles for lighting.
- In a similar vein, 15% of the population do not have access to piped water and 14% do not have sanitation facilities, and of the 86% who do, only 52% have water borne sewerage facilities.
- Figures for consumer goods ownership and telephonic services can be summarised as follows: 73% of South Africans own radios, 54% own televisions, only 9% own computers, and 51% own refrigerators. A figure of 24% have telephones in their houses (only 6% do not have any access to a telephone) and 32% own cellular telephones (StatsSA: Census 2001). These figures exclude those living in hostels, hotels and institutions.

Despite South Africa being an upper-middle-income country, its rate of poverty (a measure of the extent of absolute poverty) stood at 45% in 2000. This translated into 3,126,000 households or more than 18 million citizens. In 1995 the poorest 20% of households received a mere 1,9% of the total income in South Africa. By 2000, this share had dropped still further to 1,6% of total income. The poorest 50% of the country's households also slipped backwards in these five years relative to the richer 50%. The poverty divide remains racial - in 1995 the average white household earned four times as much as its average



African counterpart. In 2000 the average white household was earning six times the average African household.

South Africa has been described by the UNDP as amongst the world's most unequal economies, with a Gini co-efficient measuring 0.59.3. More recent analysis using the 1996 Population Census data put the Gini co-efficient as high as 0.68<sup>8</sup>. Approximately 6% of South Africa's population captures over 40% of income earned. As the table below shows, rates of unemployment rise according to monthly household expenditure category. High rates of unemployment in urban and rural areas also coincide with low quality outsourced, casual and informal jobs and serious problems in accessing minimum basic needs like water, food and energy.

**Table 5: Key indicators of household poverty and unemployment - September 2002**

Monthly household expenditure category	No. of households	% with problems meeting food needs sometimes, often or always	% where children below 15 years collect water and/or fuel	% with person/s in permanent employment	% with member/s of a trade union	% with person/s in informal or domestic work	Expanded unemployment rate
R 0 – R 399	3,205,927	54	13	22	6	32	55
R 400 – R 799	2,890,267	42	15	34	13	26	51
R 800 – R 1 199	1,329,752	28	9	56	28	25	41
R 1 200 – R 1 799	831,533	19	5	63	36	17	37
R 1 800 – R 2 499	654,841	12	2	73	46	13	24
R 2 500 – R 4 999	826,267	8	1	74	42	10	20
R 5 000 – R 9 999	554,766	4	0	78	34	9	10
R 10 000 or more	224,252	3	0	78	28	6	7

Source: StatsSA, Labour Force Survey CD ROM, September 2002

**Table 6: Key social indicators for South Africa in 2002**

Indicator	Rating
Human development index rating:	0.695 (107 out of 173)
Gini coefficient:	59.3
Life expectancy at birth:	52 years
Infant mortality of under fives:	65% (2000)
Adult literacy:	85.3%
Population with access to safe water:	86%
Population growth rate:	2.1%

Source: *Human Development Report 2002* (UNDP)

The Gini coefficient reveals ongoing inequality and poverty, 10 years after the democratic transition (Table 6). The approach of the government since coming to power in 1994 has been three-fold. In the first place a conservative macro-economic strategy was implemented in 1996 in order to stabilise the economy and set a cautious foundation for sustainable growth. The second, parallel strategy has been to restructure all sectors of the economy through liberalisation and deregulation, in an attempt to force South African business, industry and agriculture to become more competitive. The third strategy has been to incrementally address the socio-economic backlog of infrastructure and services that afflicts historically disadvantaged areas of society. All three have been implemented with mixed success. The Macro-economic strategy, also known as the Growth Employment and Redistribution

<sup>8</sup> Although the National Government disputes this figure.

Strategy or GEAR, succeeded in stabilising the economy and reducing government debt. Linked to this has been the government's determination to reduce inflationary pressures, thus allowing inflation to decrease. This has been fairly successful, with inflation now in 2003 within the GEAR target band of 3% to 6%. The third pillar, that of socio-economic delivery, has been severely hampered by the spending restraints built into the GEAR programme, although these have now been relaxed slightly. However some progress has been made in providing housing, electricity, telephones, water and sanitation to millions of citizens who never had access to these services.

However, many critics have attacked this macro-economic, fiscal and industrial strategy as being modelled on a typical World Bank and International Monetary Fund structural adjustment programme. As such it is felt that the strategies are ill suited to the needs and dictates of a developing nation, and South Africa in particular. As proof of the unsuitability of the strategies, critics point to the fact that they have only served to reinforce the dualistic nature of South African economic and social life, by strengthening an already strong formal sector and further marginalizing millions of citizens to a poverty stricken, informal periphery. As evidence of this, critics point to the fact that in the middle of successful fiscal and monetary stability, the unemployment and poverty indicators have worsened.

While certain of GEAR's technocratic targets were met during the 1996- 2003 period, and a measure of economic stabilisation was achieved, the end result remained stubbornly sluggish growth and only slight poverty reduction. Although government spending was reduced, debt levels reduced, inflation significantly reduced, the currency stabilised, and exports boosted, South Africa's GDP growth has remained around just under 3%, and as the 1996 GEAR strategy document itself noted, a growth trajectory of about 3% per annum would "fail to reverse the unemployment crisis in the labour market; or provide inadequate resources for the necessary expansion in social service delivery; or yield sufficient progress toward an equitable distribution of income and wealth". (GEAR 1996) GEAR has essentially been very successful in the areas of fiscal restraint, tariff reductions, and inflation control in order to correct the more obvious monetary and fiscal policy imbalances of the Apartheid era and yet weak in the real economy (growth and employment).

A larger, more multi-racial middle class has developed, but a significant part of the population have remained in poverty. Increased unemployment has led to a growing informal sector. Another cost of a targeted debt reduction strategy under GEAR has been deferred poverty alleviation, with spending on services and delivery taking second place to fiscal austerity. The 2000/01 Budget however marked the start of a slightly more expansionary budget process. This stance has been carried through the 2001/02 and 2002/03 budgets. It has been characterised by a commitment in principle to improved spending, increases in infrastructure allocations and ongoing tax reform. This is funded by an increased deficit and ongoing improvements in revenue collection. The latest Medium Term Budget sees a move away from the previous tight monetary stance with a controlled increase in the deficit to 3,2 % of GDP in the next financial year to accommodate additional spending. Non-interest spending will be increased to 4,4% in real terms over the medium term. This signals a major shift in Government's economic policy, and one that has been applauded by COSATU.

Revised estimates published by Statistics SA last year show that the economy has grown by about 3,1% a year since 1999, with particularly strong growth in manufacturing, construction and services sectors. Output growth appears to be contributing to slight employment creation in some formal sectors of the economy although much of this has not been in permanent, fulltime employment.

**Table 7: Key indicators of SA economy 2000/01 to 2005/6(R billion)**

Indicator	2000/01	2001/02	2002/03	2003/4 <sup>9</sup>	2004/5	2005/6
GDP	3,4%	2,2%	3%	2,2%	3,3%	4,0%
Main budget revenue	213,4	248,4	275,7	299,9	325,7	357,8
Main budget Expenditure	235,0	262,6	291,8	331,5	367,5	403,1
Main budget deficit	-18,3	-14,6	-16,1	-31,6	-41,8	-45,4
Deficit as % of GDP	2,0%	1,5%	1,4%	2,6%	3,2%	3,1%
State debt costs	46,3	47,5	47,3	47,2	51,3	54,6
State debt costs as % of expenditure	19,7%	18%	16,2%	14,2%	13,9%	13,5%
State debt costs as % of GDP	5,1%	4,7%	4,2%	3,9%	3,9%	3,8%
CPIX average <sup>10</sup>	7.6%	6.6%	10%	6,9%	4,9%	5,4%

Source: National Treasury Budget Review, 2001-2003; Medium Term Budget Policy Statement 2003

The Reserve Bank has set a target of 3% to 6% for inflation (as measured by CPIX) and uses interest rates to manage inflation. Consumer price inflation as measured by CPIX (consumer price inflation minus bond rates) averaged 6,9% in 2001 and 9,1% in 2002 and peaked at 13% in October 2002, before falling to an annual average of 5,8% in 2003. Current CPIX in December 2003 is sitting at 4%.

CPI (consumer price inflation including bond rates) is even lower. Consumer price inflation as measured by CPI averaged 5,7% in 2001 and 9,2% in 2002 and peaked at 1% in November 2002, before falling to an annual average of 5,8% in 2003. However the monthly CPI rate is even lower, sitting at 0,3% in December 2003. This is the lowest it has been since the 1980's.

This has implications for the labour movement in that the Reserve Bank has a policy of maintaining interest rates at a high level of around 16% during 2001 and 2002 in order to moderate inflationary pressures imported as a result of the Rand's depreciation. This is so as to encourage inflation to move within the 3-6% band. These high interest rates effectively stifle economic expansion, and therefore decrease the possibility of increased hiring, and increase the possibility of retrenchments. Although inflation has fallen rapidly in 2003, the high inflation levels of 2000-2002 undercut wage settlements in recent years, leaving workers with real increases after inflation of -2%. The unions are therefore glad to see inflation dropping, but are wary of the fact that employers will now wish to immediately decrease wage settlements. This is because the unions have been using the CPI indicator as a benchmark when formulating wage demand levels. I.e. if CPI was at 4%, then unions would demand a CPI plus 3% increase in annual negotiations, making it 7%. However, with the inflation rates dropping so quickly, it will be necessary for unions to argue the case for wage increases higher than CPI through other issues, such as the concept of a living wage. This is a campaign that has recently been relaunched by COSATU, and is given added urgency by the fall in inflation.

A living wage demand is based on the principle that anyone who works full time should be able to support a family above the poverty line. The primary aim of research into a living wage is not to come up with a definitive Rand amount of what constitutes a living wage. Rather it seeks to form the basis of what constitutes a living wage. A systematic analysis of wages needs to take into account what is legal, ethical, moral or just. An analysis of wages is

<sup>9</sup> Projected figures for coming reporting periods of 2003/04 to 2005/6 under the MTEF

<sup>10</sup> CPIX refers to the Consumer Price Index inflation measure, excluding bond payments.

misleading if wages are not seen within the context of prices at any particular time and in any particular place. The fight for a living wage goes beyond linking wage increases to inflation, but more importantly to improve the living conditions of the workforce. Wage bargaining and the fight for a living wage aims at alleviating poverty and reducing income inequality. It is in this context that wage policy has an important role to play in restructuring the economy, reducing inequality and alleviating poverty. As noted earlier, significant numbers of workers in South Africa, for example, those employed in domestic work, agricultural work, certain categories of manufacturing workers, petrol pump attendants, security industry and cleaning, earn below the poverty line.

In response to the 2002 inflation trend, the Reserve Bank raised its Repurchase Rate by four percentage points during 2002, this led to increases in Bank interest rates, contributing to a steady moderation in private sector credit extension during the course of the year. The recovery in the exchange rate during 2002 has resulted in less pressure on inflation and Bank interest rates have been lowered five times in 2003 due to further decreases in the Repurchase Rate, to a level of 12.5% by November 2003, its lowest level since 1986. Although interest rates were reduced in 2003, the relatively high interest rates, even in 2003, have created a real interest differential between South Africa and its trading partners. This differential, in the context of sluggish global growth, has attracted portfolio flows to South Africa, thus artificially inflating the value of the Rand, which in turn has led to a slowdown in the export sector, with looming retrenchments. However the Reserve Bank has refused to intervene to weaken the Rand, noting that inflation has finally fallen to within the target range.

The question which must be asked is whether low inflation through restrictive monetary policy is more desirable than increased social spending on poverty and infrastructure. Another interesting point is that the high interest rates reduce the rate of return (and therefore attractiveness) of domestic investment, but provide good returns for foreign portfolio investors. Thus the scenario favours foreign direct investment over domestic investment, yet it is the domestic investment that is needed to put the economy on a higher growth path, which would translate into increased jobs.

Food inflation also rose dramatically during 2002, peaking at 19,8% in October 2002, before slowly falling to 2,6% in December 2003. In 2002, food inflation accounted for an average of 42,8 per cent of the rise in CPIX, compared with 20,5 per cent in 2001. Given household expenditure patterns, food inflation reduces the real incomes of lower income households more than others. This impacts workers more than employers, as a large percentage of workers fall within this lower income bracket. Government has announced an enquiry into food prices as a result, but was only able to allocate R400 million in additional funds over three years. The 2002 monies were used to subsidise cheap maize meal, but this supply ran out in a few weeks.

Producer price inflation (PPI) has also fallen remarkably, from a 2002 average of 14.2% to an average of 1,7% in 2003. Unions are hoping this will allow them to argue for increased wages in 2004, given that the cost of production has fallen so significantly for employers.

The Reserve Bank expects the Rand to weaken slightly over the course of 2004, but until the US allows the dollar to strengthen, it is possible that the Rand will maintain its current levels. This will affect the sales potential of the civil engineering and construction sectors, in as much as they have been expanding into the region and the Middle East. The manufacturing sector exporters will be directly affected. Agricultural exports will likewise be directly affected, including exports of cut flowers, maize, wheat, sugar and fruit.

Foreign Direct Investment has remained steady but slow, averaging only 1% of GDP between 1996 and 2002, whereas Gear sought to achieve a level of 4-5% of GDP. Domestic savings have been unable to fill the resulting gap, averaging only 16% from 1996 to 2002 instead of the 25% called for by Gear. After withdrawing from the local investment market

after 1994, government has now reconsidered and is increasing Gross Fixed Capital Investment levels in order to stimulate the economy and fill the investment gap. Government fixed capital formation has increased, with 4,6% growth in 2002 and 5,1% predicted for 2003, reversing a long term government investment decline tolerated by the Apartheid government. In general, Gross fixed capital formation increased by 6,3% in 2002, giving impetus to an economic recovery that remains characterised by ‘jobless growth’. Domestic demand in the economy is growing due to lower interest rates, expansionary fiscal policy and the relative stability of the Rand, although the recent sharp swings in the Rand may have undermined the export and importing sectors, as the Rand lost ground in 2001/02 and then regained it rapidly in 2003. Investment spending is at its highest level in almost a decade.

The rate of HIV/Aids infections has apparently started to stabilise, but the disease may still be killing as many as 600 people a day. Government has been severely criticised for moving very slowly in its treatment of the crisis. Criticism has been led by the Treatment Action Campaign and until recently COSATU<sup>11</sup>. 2003 has however seen a breakthrough, with government responding to legal challenges and other pressure by civil society and adopting a national treatment plan, which for the first time includes treatment through anti-retro-viral drug regimes. This will save millions of lives if it is rolled out effectively. Total expenditure in response to HIV and Aids, including amounts directly spent by provincial health departments, could exceed R3 billion next year, R4 billion in 2005/06 and R4,8 billion in 2006/07. As the costs of drugs come down and capacity improves, the ability to treat an even larger group of people will be possible. Drug prices are currently falling rapidly due to ongoing legal and human rights challenges raised against international drug companies locally and globally.

### **3. Target Economic Sectors: General Dynamics and Outlook**

#### **3.1 Manufacturing**

For the purposes of this study, manufacturing is taken as a useful representative component of industry. The percentage contribution to annual GDP by manufacturing stood at 19,4% in 2003. Subsequent to a 4.5% decline in the first as well as in the second quarter of 2003, the contraction in the real value added by the manufacturing sector moderated to an annualized rate of 1.5% in the third quarter. Measured over a year, virtually no growth was recorded in the first three quarters of 2003, against a brisk rate of increase of 5.5% attained in the 2002 calendar year. Manufacturing output increased robustly from the fourth quarter of 2001 and peaked in the second quarter of 2002 before losing momentum, with real output declining in each of the first three quarters of 2003. The growth performance of the real value added by the manufacturing sector echoed sluggish global growth trends and the recovery in the exchange rate of the Rand. Whereas the export oriented and import-competing sectors of manufacturing made substantial gains in 2001 and 2002, partly as a result of the depreciation of the currency over the same period, the rapid recovery of the domestic currency contributed to a more subdued performance since late 2002 (SA Reserve Bank 2003).

The contraction in real manufacturing output in the third quarter was spread over several sectors, but was particularly high in radio, television and communication equipment, basic metals and chemical products. Most of these sectors were affected by increased import penetration as a greater proportion of domestic demand was met by competitively priced imports. Real output in the vehicle manufacturing sector increased strongly in contrast with most other sectors of industry. This was the net result of an increase in exports of motor vehicles and increases in domestic demand for new passenger cars. In addition, demand for

---

<sup>11</sup> COSATU criticism has declined in response to a perceived shift in Government policy on HIV/Aids

medium and heavy commercial vehicles increased with businesses taking advantage of stable prices and lower interest rates to upgrade their fleets.

The exporting side of the manufacturing sector has been severely affected by the strengthening of the Rand, and will be assisted if the Rand weakens in 2004. The manufacturing sector relies on a strong consumer-demand element, and is therefore more sensitive to interest rate changes. This is especially the case in the motor vehicle sector, which is the manufacturing sector's leading sector. The demand for new motor vehicles is highly interest rate sensitive, and it is believed that the stage has been set for a sharp recovery from the current quarter onward following a series of interest rate cuts in 2003, bringing interest rates to their lowest point in over 10 years. New motor vehicle retail sales are a leading indicator in this regard, and since June 2003 new vehicle sales growth has turned sharply positive. A sharp recovery in motor vehicle manufacturing output should be followed shortly by an upturn in the output of automotive parts and accessories. Parts and accessories are currently a high growth sector, boosted by a switch away from imported components towards greater use of domestically produced components. Another key sector, namely basic iron and steel products, is also expected to receive increasing support from a gradually recovering export performance as well as a strengthening domestic economy. However, its growth may remain below the long-term average for some time as a result of the lag of fixed capital formation behind the business cycle (ABSA 2003).

The food manufacturing sector, the largest of the manufacturing sub-sectors, is expected to remain a low growth sector, in line with its long-term trend. During the second quarter of 2003, its real output declined by a year-on-year rate of 3,3%, with agricultural drought conditions weighing on the sector. Meteorologists expect a possible drought in 2004, in line with a cyclical 10 year pattern. Output growth is expected to rise into positive territory if agricultural conditions improve, but remain below economic growth on average in the coming years.

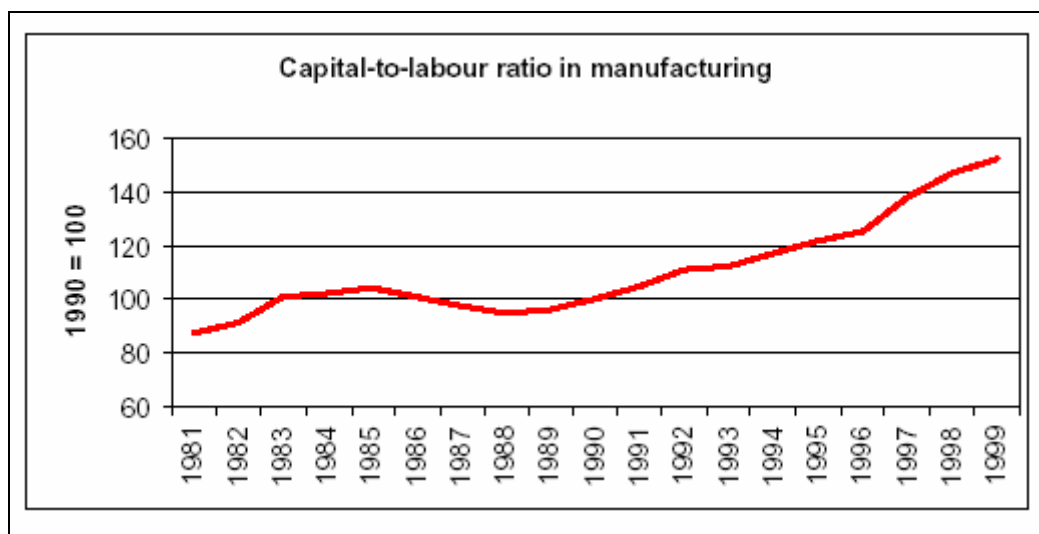
The weaker Rand during 2002 assisted the textiles, wearing apparel, leather products and footwear sectors, enabling them to lift their growth performances to levels above their long-term averages. Except for the case of leather and leather products, the return of relative Rand strength in 2003 appears to have set these sectors back on the path of long-term decline. Even a slightly weaker Rand may not alter the poor long-term performance of the textiles, clothing and footwear sectors which have been gradually losing their competitive advantage globally. The long term prospects for these sectors are also weakened by the unwillingness of the Minister of Trade and Industry to consider any tariff relief for vulnerable sectors, even in a context of increasing joblessness.

South Africa continues to utilise a high capital to labour ratio. This appears to be partly a legacy of previous industrial policy decisions in past decades that sought to increase the capital intensity of SA goods under the import substitution regime. The International Labour Organisation (ILO) recently completed a report that sheds light on some of the causes for increasing capital intensity (cited in EPRI:2001:10), concluding that trade liberalisation may have shifted production in favour of capital-intensive sectors and to the detriment of labour-intensive ones.

This result reflects the fact that South Africa turns out to have specialised in capital-intensive products. Another problem cited is the shortage of skilled labour, which undermines growth and hinders the development of labour-intensive sectors. This reinforces the need to increase skills levels in the workforce, in order to increase the substitutability of skilled labour vis-à-vis capital. The ILO report highlights the contradiction of South Africa continuing to specialise in capital-intensive goods in the face of high rates of unemployment. Reinforcing this are apartheid-era industrial policies that favoured capital-intensive industries.

The cost of capital in South Africa does not reflect the true cost to society of diverting resources to employing machinery and equipment, in that unemployment raises the burden on government and remaining workers, and also increases poverty and social instability. Job creation depends however on the rate of capital investment, the nature of productivity growth, and the degree of substitutability of capital and labour. Rising investment rates are not sufficient in of themselves to generate job creation. If productivity growth is labour augmenting (in that it supplements existing labour) and labour can not be readily substituted for capital due to its lack of skills, more investment can lead to job losses, even as the economy grows. A symptom of this is a rising capital-to-labour ratio. That SA is experiencing this is evidenced by the figure below:

**Figure 2:** *Capital to labour ratio trend in manufacturing*



Source: SA Reserve Bank data

A problem that presents itself is that capital intensive changes to industry are often seen as the only means of increasing competitiveness. However, with the exception of already highly automated industries such as automotive assembly, it is doubtful that capital intensive paths are the only viable ones. The alternative paths would however rely on labour being able to compete with capital upgrades, and this can only come via skills enhancement and careful policy interventions to balance the attractiveness of labour and capital (NALEDI:2003).

Currently, unions are driving a process of Sector Job Summits in various manufacturing sectors at NEDLAC. These include the Metals and Engineering industry and the auto sector and the ICT sector.

### 3.2 Agriculture

The percentage contribution to annual GDP by agriculture stood at 4,1% in 2003 (3,5% excluding forestry and fishing). Land redistribution, spearheaded by the Land Redistribution for Agricultural Development Programme, is intended to reorganise the allocation of agricultural land. The RDP set an ambitious land redistribution target of 30% of agricultural land by 1999. By the end of 2002, however, only a little more than one per cent of agricultural land had been redistributed. Government now intends to redistribute 30% of agricultural land by a revised date of 2016. Government will release a portion of the land it

owns to achieve this target, but 95% of the land is to come from commercial farms. Redistribution, (focused on land redistribution for agricultural development), will be conducted on a willing-buyer-willing-seller basis, with the Constitution protecting property rights. Between August 2001 and December 2002, some 295 924 hectares of land were transferred to 140 227 beneficiaries for agricultural development. Agri-SA, the commercial farmers association, is working closely with government in this regard (Creamer 2003).

The land tenure reform programme aims to provide farm workers and others with secure tenure where they live, to prevent arbitrary evictions and fulfil the constitutional requirement that all South Africans have access to secure tenure in land. Legislation has been designed to protect people in the former homelands against abuses of their land rights by corrupt chiefs, officials and property developers, and aims to protect people who live on land with the consent of the owner against unfair eviction. Land tenure reform has proved to be the slowest and most difficult aspect of land reform and labour asserts that there has been an increase in illegal evictions as farmers seek to escape implementation of the agreement. The COSATU agricultural affiliate, SAAPAWU, has that workers of agricultural land have not benefited from the process of land reform.

Global food price inflation has eased since 2003 following steep price increases owing to adverse global weather conditions during 2002. This, accompanied by the stronger Rand, has greatly reduced export and import parity pricing opportunities for domestic food producers. Global food prices are not cyclical, and are driven largely by weather patterns. Assuming that global weather patterns are no worse than in 2002, a depreciating Rand would have gradually taken Rand-denominated agricultural prices higher from the fourth quarter of 2003 onward, alleviating some of the pressure that agriculture producers currently feel as a result of the strong Rand and adverse domestic weather conditions (ABSA Quarterly: Dec Q4 2003). However, the Rand has maintained its strength, sitting at the same levels of around R6.9 to the dollar in early 2004.

A sector job summit for agriculture in 2001, is not seen as a legitimate process due to the fact that labour was not invited to participate. Presently FAWU is attempting to bring together stakeholders in its sector to participate in a sector job summit.

### **3.3 Construction**

The percentage contribution to annual GDP by construction stood at 2,6% in 2003. Following an increase at an annualised rate of 2,5% in the second quarter of 2003, growth in the real value added by the construction sector accelerated to 4% in the third quarter. This was mainly due to firm growth in new construction activity which benefited from improving confidence levels, with some of the impact of lower interest rates possibly also starting to play a role.

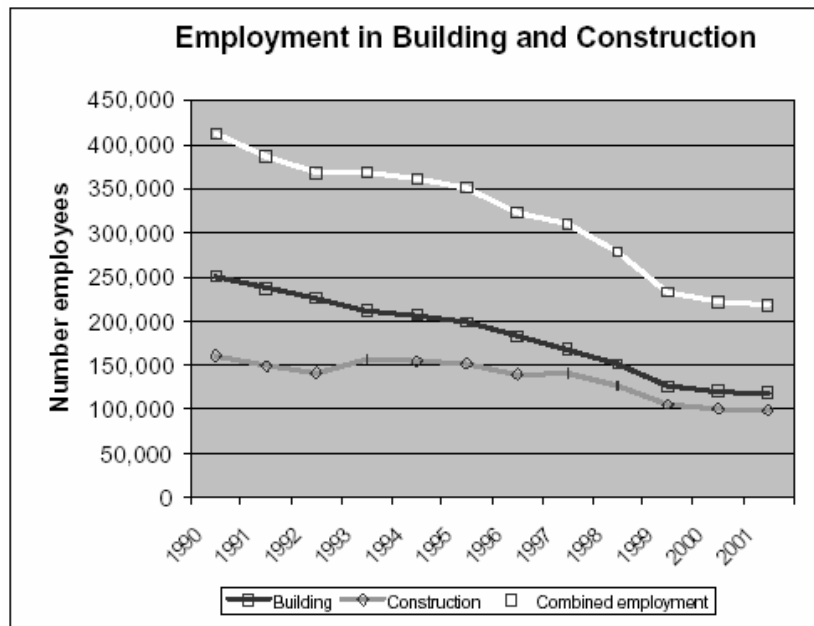
According to the Building Industry Federation's 2002 Report, employment levels within the formal construction sector stood at 251 625 in 1990, but by 2001 this number had fallen to roughly 160 000 in line with decreasing output. However, there has been a strong move toward the outsourcing of work to informal sub-contractors, which may in reality mean the drop in total employment has been lower. In line with this most employment losses have occurred among the semi- and unskilled, and this decline has been most pronounced after 1996/7. The decline has also been more obvious in the building industry than in the construction industry perhaps due to the short-term nature of building projects as against construction initiatives, which have a longer term planning cycle (Teljeur & Stern:2002:13)

Employment in the construction and building sector has not only fallen in absolute terms but also in relative terms. In 1990 building contributed 3.1% to total formal sector employment, compared to 1.6% in 2001. Likewise, employment in construction fell from 2.0% of formal employment to 1.4% over the same period. These employment figures do not



include reference to informal sector usage, which is estimated to account for 35-40% of the total number of people employed in the construction and building sector. This informal sector usage is growing and is projected to account for 50% of total employment in construction and building by 2003. It thus appears that the decline in output in the building and construction industries has contributed to a casualisation of construction workers (Teljeur & Stern:2002:15).

**Figure 3:** *Employment in building and construction*



Source: Construction Services

Four issues dominating any evaluation of the construction sector in South Africa can be seen as characteristic trends in the rest of the world, namely unemployment, the shift to the informal sector, subcontracting and a critical skills void (NALEDI:2003). To promote service delivery, government has committed to improving municipal infrastructure through increased investment. However, the construction and civil engineering sectors have long complained that a lack of capacity and co-ordination is reducing the effectiveness and implementation rate of projects, especially from the side of government. New initiatives to address these bottlenecks are underway.

Local authorities will work to solve the backlogs in planning approvals and with appropriate financial mechanisms, labour will support the direction of financial resources, including retirement funds, to low-income housing programmes that support the densification and integration of communities. Business, through the South African Federation of Civil Engineering Contractors, has committed to launch a mentoring programme in collaboration with the Consolidated Municipal Infrastructure Programme and the Construction Education and Training Authority to enhance the capacity of emerging contractors. The construction industry is working with the Construction Industry Development Board to compile a follow-up document to remedy the confusion among potential participants in construction contracts and bring standardisation to the delivery process. The South African Institution of Civil Engineers has with stakeholders developed a programme to tackle the capacity problem with

regard to human resources to run delivery processes at local level. These measures are expected to improve working and contracting relationships in the sector, allowing an increase in demand to boost the sector. These measures are especially relevant because the construction industry does not have excess capacity to handle uncoordinated projects. The industry maintains that there is even a threat that there will not be enough skilled workers to implement the number of envisaged projects under government's renewed commitment to infrastructure spending. This is due to an extended downturn in the sector which prompted firms to reduce training, and which saw many experienced workers emigrate.

The 2003 Growth and Development Summit, held between all major stakeholders in society, contains a commitment to expand public sector spending and public investment initiatives in order to develop and maintain economic and social infrastructure through projects with a strong construction and labour-based component. Projects under this strategy that have significant potential for job creation include road, dam, harbour and rail infrastructure construction; the construction, renovation and maintenance of public buildings, such as multipurpose centres, schools, clinics and prisons; and the roll-out of basic services, such as electricity. These projects are expected to provide a boost to the construction sector (Creamer 2003). COSATU and its affiliates are keen to ensure that the agreements achieved at the GDS are followed through on and are pursuing this through NEDLAC and, in the case of this sector, through a Sector Job Summit, which should take place this year.

### **3.4 Transport**

The percentage contribution to annual GDP by transport stood at 5,7% in 2003. In line with the programme outlined in the Growth and Development Summit, government is expected to commit investment to improving and expanding transport infrastructure. Labour called at the summit for affordable commuter transport.

The tertiary sector, which includes transport, is expected to continue its solid growth performance, but with a steady strengthening bias. A key performer in terms of real output growth is expected to be the transport, storage and communications sector, largely as a result of the contribution of the telecoms sub-sector. Other solid performing sub-sectors, in terms of real output growth, should be in the areas of air and road transport, while rail transport and postal and courier services are set to remain slightly positive.

In 2002 the transport, storage and communications sector grew by just over 6%. Factors that contributed to this growth were the increase in export and import volumes, the increase in tourism by road and air travel and the stability in the international fuel price. However, the industry is faced with a number of challenges such as the delayed minibus recapitalisation programme<sup>12</sup>, congested ports, toll road fee and fuel price increases, privatisation and job losses, rail and road accidents and HIV/AIDS deaths amongst transport workers.

In 2000 the Department of Public Enterprises (DPE) announced plans divide Spoornet (the giant state transport parastatal), which employs about 33 000 workers, into separate businesses and concession them to the private sector. Government sought assistance from the British-based merchant banker and privatisation specialist, Rothschild. They proposed that Spoornet be split into six separate companies, most of them to be concessioned.. The main concern of the Spoornet trade unions was that concessioning, as a form of privatisation, would: undermine the state's ability to ensure the provision of cheap, efficient transport to meet socio-economic needs; that the future of rail would be placed in jeopardy; and that high levels of retrenchment would result.

---

<sup>12</sup> This will entail provision of a government subsidy to replace old, dangerous minibus (12 seater vans) vehicles with new, safer 18 seater vehicles. The process has been filled with conflict and delays.

They commissioned NALEDI, to assist in developing a strategic response. All the unions worked together to develop a critical analysis of operational problems and workplace inefficiency. The union proposal that emerged was based on three points, which would guide engagement: Spoornet could be made more efficient in the public sector without privatising it; the unions would co-operate with efficiency improvements on this basis and as long as they precluded retrenchment; and the role of rail transport in socio-economic development could only be secured through continued state ownership.

The unions' main argument in opposing the Spoornet privatisation was that private-sector operators would concentrate on profitable business, closing unprofitable lines and shedding unprofitable customers. The economically weaker provinces would be worst affected. This outcome would amount to the destruction of rail infrastructure and increase road freight volumes. This would impose significant additional costs on the state and road users. After months of engagement with the unions, and a national two day anti-privatisation strike, government accepted that this plan made no developmental, business or financial sense (NALEDI:2002)

### **3.5 HIV/AIDS**

Due to its cross cutting effects on all sectors, a brief update is given here of recent research into the impact of HIV/Aids on various sectors. Although agreement has been reached on the provision of retro-viral drugs to those severely impacted by HIV/Aids, it is expected to take a few years to roll out effective national delivery and monitoring mechanisms. Efforts will continue to focus on preventative education and general health.

A 2003 survey by the South African Business Coalition on HIV and Aids (SABCOHA) has revealed that most companies in South Africa were failing to respond effectively to the HIV and Aids epidemic. SABCOHA surveyed 1006 companies in the manufacturing, trade, building and construction sectors in October and November 2003 in Johannesburg. According to the survey, only a quarter of the companies surveyed had implemented a formal HIV and Aids policy and even less had a voluntary counselling and testing programme. Treatment of, and support to, infected workers was also low on the priority list. The survey also showed that manufacturers and companies operating in KwaZulu-Natal and Gauteng provinces (most populous and wealthiest provinces respectively) had been worst affected by HIV and Aids. Retailers and companies in the Western Cape province had experienced lower impact rates.

Of the companies surveyed, 34 percent had reported a negative impact on their profits due to HIV and Aids. More than 40 percent of manufacturers reported a drop in profits due to the disease. However only about 25 percent of retailers reported being negatively affected. Lower productivity and increased absenteeism were listed as having the most impact on company costs, with higher employee benefit costs second and the loss of experience and skills third. The survey found that 39 percent of the companies that took part indicated that HIV and Aids has caused reduced productivity or increased absenteeism. The impact of HIV and Aids on profits in the building and construction, motor trade and wholesale sectors rated somewhere between that of the high-risk manufacturing and lower-risk retail sectors. This is informative, because previous studies had identified the mining, transport, building and construction and manufacturing sectors as the most vulnerable to HIV and Aids. The impact of HIV/Aids on the building and construction sector may be less apparent than on other high-risk sectors, as building and construction companies often employ semi- and unskilled workers on a contract basis (part time) and workers are likely to move from one site to another to find work, thus reducing the observable impact of illness on firms. Given the high unemployment rates among semi- and unskilled labour and the fact that many building and construction companies have downscaled their permanent workforce, there is a large pool of

## SiD Country Analysis – South Africa - NALEDI

available workers to draw from and replacement costs may be relatively low, thereby shielding the companies from long term damage by the disease.

The table below provides data on the breakdown of the economy's overall GDP totals into sectoral totals. This is then further clarified by the next table, which displays the same data in percentages. Where possible the figures include estimates of informal sector activity, as denoted by footnote 1 to the table.

**Table 8: Annual gross domestic product by industry at current prices (R million)**

Industry	1995	1996	1997	1998	1999	2000	2001	2002
<b>Agriculture, forestry and fishing</b>	19 317	23 721	25 140	24 287	24 996	26 060	31 132	42 098
Agriculture	15 863	19 922	21 366	20 285	20 537	21 032	25 343	35 383
Forestry	2 967	3 238	3 244	3 390	3 869	4 402	5 068	5 852
Fishing	487	562	530	611	590	626	721	864
<b>Mining and quarrying</b>	34 830	38 768	40 524	43 439	46 175	54 951	67 301	79 030
Coal mining	6 777	7 835	8 589	9 312	9 259	10 374	13 814	15 014
Gold mining	14 135	17 136	16 373	16 489	15 268	17 293	18 718	26 119
Mining of other metal ores	7 855	8 799	10 394	12 500	14 501	21 802	27 753	29 882
Other mining and quarrying <sup>1/</sup>	6 062	4 997	5 168	5 138	7 148	5 482	7 016	8 015
<b>Primary industries</b>	54 147	62 488	65 664	67 725	71 171	81 011	98 433	121 129
<b>Manufacturing</b>	106 180	114 126	124 603	129 017	136 016	150 198	166 331	198 094
Food, beverages and tobacco	17 368	18 985	21 000	22 154	23 573	24 165	26 685	31 547
Textiles, clothing and leather goods	7 059	7 106	7 527	7 520	8 068	8 364	8 388	10 371
Wood and paper; publishing and printing	11 156	11 440	12 518	12 579	14 468	15 697	16 699	19 327
Petroleum products, chemicals, rubber and plastic	19 309	21 614	23 935	26 480	28 690	32 175	36 419	41 940
Other non-metal mineral products	4 315	4 495	4 932	4 670	4 709	5 459	6 173	7 994
Metals, metal products, machinery and equipment	22 747	25 325	28 109	28 138	26 818	31 669	34 252	44 699
Electrical machinery and apparatus	3 332	3 271	3 553	3 787	3 878	4 275	4 578	5 186
Radio, TV, instruments, watches and clocks	1 411	1 410	1 537	1 768	2 115	2 162	2 102	3 021
Transport equipment	8 675	8 953	9 104	9 060	10 113	11 586	14 767	16 014
Furniture; other manufacturing <sup>1/</sup>	10 807	11 527	12 388	12 861	13 584	14 648	16 266	17 996
<b>Electricity and water</b>	17 408	18 602	19 929	22 534	21 741	22 657	23 197	24 325
Electricity	15 503	16 492	17 505	19 020	18 841	19 525	19 694	20 254
Water	1 905	2 110	2 423	3 513	2 900	3 132	3 503	4 071
<b>Construction</b>	15 774	17 631	19 829	21 687	22 325	23 843	25 279	27 071
<b>Secondary industries</b>	139 362	150 360	164 361	173 237	180 081	196 698	214 806	249 490
<b>Wholesale and retail trade; hotels and restaurants</b>	71 768	79 463	85 858	89 814	95 595	107 299	118 977	134 300
Wholesale trade	22 851	25 838	27 549	28 507	30 194	35 142	39 499	46 189
Retail trade; repairs of household goods <sup>1/</sup>	34 586	37 743	41 538	44 306	47 605	52 032	56 910	61 354
Motor trade; repair of motor vehicles	8 605	9 432	9 779	9 469	9 833	12 136	14 113	16 872
Hotels and restaurants	5 726	6 451	6 993	7 532	7 963	7 988	8 455	9 886
<b>Transport and communication</b>	44 538	51 787	57 874	63 278	70 868	80 799	89 374	100 377
Transport <sup>1/</sup>	32 030	36 172	39 142	41 894	44 412	49 785	52 990	58 605
Communication	12 508	15 615	18 732	21 383	26 456	31 015	36 384	41 772
<b>Finance, real estate and business services</b>	82 162	94 122	110 488	123 778	143 545	160 936	176 242	201 721
Finance and insurance	34 664	39 221	47 628	51 495	64 060	72 031	77 714	88 656
Real estate	28 893	34 070	39 266	44 871	49 521	55 630	60 981	69 492
Business services <sup>1/</sup>	18 605	20 831	23 593	27 412	29 964	33 274	37 547	43 573
<b>Community, social and other personal services <sup>1/</sup></b>	13 690	15 368	17 374	19 390	21 521	24 049	27 552	31 037
<b>General government services</b>	80 831	96 214	107 744	116 484	123 477	132 739	142 648	154 181
<b>Other producers</b>	13 855	15 671	17 803	20 154	22 527	24 930	27 502	29 450
<b>Tertiary industries</b>	306 844	352 626	397 142	432 897	477 532	530 752	582 294	651 067
<b>All industries at basic prices</b>	500 352	565 473	627 167	673 860	728 785	808 461	895 533	1 021 685
Taxes on products	53 644	58 119	63 419	70 668	76 707	83 316	91 119	103 306
Less: Subsidies on products	5 898	5 634	4 857	5 600	4 720	3 322	3 204	4 095
<b>GDP at market prices</b>	548 099	617 958	685 729	738 927	800 771	888 455	983 448	1 120 896

<sup>1/</sup> Includes estimates of the informal sector.

Source: Stats SA: Gross Domestic Product, annual estimates 1993 – 2002: 2003

To demonstrate the current relative significance of the sectors to overall GDP the following table gives the percentage contribution of each sector to GDP at current prices.

**Table 9:** *Percentage contribution to the annual gross domestic product by industry at current prices*

Industry	1995	1996	1997	1998	1999	2000	2001	2002
<b>Agriculture, forestry and fishing</b>	3,9	4,2	4,0	3,6	3,4	3,2	3,5	4,1
Agriculture	3,2	3,5	3,4	3,0	2,8	2,6	2,8	3,5
Forestry	0,6	0,6	0,5	0,5	0,5	0,5	0,6	0,6
Fishing	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
<b>Mining and quarrying</b>	7,0	6,9	6,5	6,4	6,3	6,8	7,5	7,7
Coal mining	1,4	1,4	1,4	1,4	1,3	1,3	1,5	1,5
Gold mining	2,8	3,0	2,6	2,4	2,1	2,1	2,1	2,6
Mining of other metal ores	1,6	1,6	1,7	1,9	2,0	2,7	3,1	2,9
Other mining and quarrying <sup>1/</sup>	1,2	0,9	0,8	0,8	1,0	0,7	0,8	0,8
<b>Primary industries</b>	10,8	11,1	10,5	10,1	9,8	10,0	11,0	11,9
<b>Manufacturing</b>	21,2	20,2	19,9	19,1	18,7	18,6	18,6	19,4
Food, beverages and tobacco	3,5	3,4	3,3	3,3	3,2	3,0	3,0	3,1
Textiles, clothing and leather goods	1,4	1,3	1,2	1,1	1,1	1,0	0,9	1,0
Wood and paper; publishing and printing	2,2	2,0	2,0	1,9	2,0	1,9	1,9	1,9
Petroleum products, chemicals, rubber and plastic	3,9	3,8	3,8	3,9	3,9	4,0	4,1	4,1
Other non-metal mineral products	0,9	0,8	0,8	0,7	0,6	0,7	0,7	0,8
Metals, metal products, machinery and equipment	4,5	4,5	4,5	4,2	3,7	3,9	3,8	4,4
Electrical machinery and apparatus	0,7	0,6	0,6	0,6	0,5	0,5	0,5	0,5
Radio, TV, instruments, watches and clocks	0,3	0,2	0,2	0,3	0,3	0,3	0,2	0,3
Transport equipment	1,7	1,6	1,5	1,3	1,4	1,4	1,6	1,6
Furniture; other manufacturing <sup>1/</sup>	2,2	2,0	2,0	1,9	1,9	1,8	1,8	1,8
<b>Electricity and water</b>	3,5	3,3	3,2	3,3	3,0	2,8	2,6	2,4
Electricity	3,1	2,9	2,8	2,8	2,6	2,4	2,2	2,0
Water	0,4	0,4	0,4	0,5	0,4	0,4	0,4	0,4
<b>Construction</b>	3,2	3,1	3,2	3,2	3,1	2,9	2,8	2,6
<b>Secondary industries</b>	27,9	26,6	26,2	25,7	24,7	24,3	24,0	24,4
<b>Wholesale and retail trade; hotels and restaurants</b>	14,3	14,1	13,7	13,3	13,1	13,3	13,3	13,1
Wholesale trade	4,6	4,6	4,4	4,2	4,1	4,3	4,4	4,5
Retail trade; repairs of household goods <sup>1/</sup>	6,9	6,7	6,6	6,6	6,5	6,4	6,4	6,0
Motor trade; repair of motor vehicles	1,7	1,7	1,6	1,4	1,3	1,5	1,6	1,7
Hotels and restaurants	1,1	1,1	1,1	1,1	1,1	1,0	0,9	1,0
<b>Transport and communication</b>	8,9	9,2	9,2	9,4	9,7	10,0	10,0	9,8
Transport <sup>1/</sup>	6,4	6,4	6,2	6,2	6,1	6,2	5,9	5,7
Communication	2,5	2,8	3,0	3,2	3,6	3,8	4,1	4,1
<b>Finance, real estate and business services</b>	16,4	16,6	17,6	18,4	19,7	19,9	19,7	19,7
Finance and insurance	6,9	6,9	7,6	7,6	8,8	8,9	8,7	8,7
Real estate	5,8	6,0	6,3	6,7	6,8	6,9	6,8	6,8
Business services <sup>1/</sup>	3,7	3,7	3,8	4,1	4,1	4,1	4,2	4,3
<b>Community, social and personal services <sup>1/</sup></b>	2,7	2,7	2,8	2,9	3,0	3,0	3,1	3,0
General government services	16,2	17,0	17,2	17,3	16,9	16,4	15,9	15,1
Other producers	2,8	2,8	2,8	3,0	3,1	3,1	3,1	2,9
<b>Tertiary industries</b>	61,3	62,4	63,3	64,2	65,5	65,6	65,0	63,7
<b>All industries at basic prices</b>	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

<sup>1/</sup> Includes estimates of the informal sector.

Source: Stats SA: Gross Domestic Product, annual estimates 1993 – 2002: 2003

A summary of sectoral prospects for all sectors is listed in the table below. The last two columns contain projections for the next 5 years. The summary is compiled by one of the largest banking groups in South Africa (ABSA).

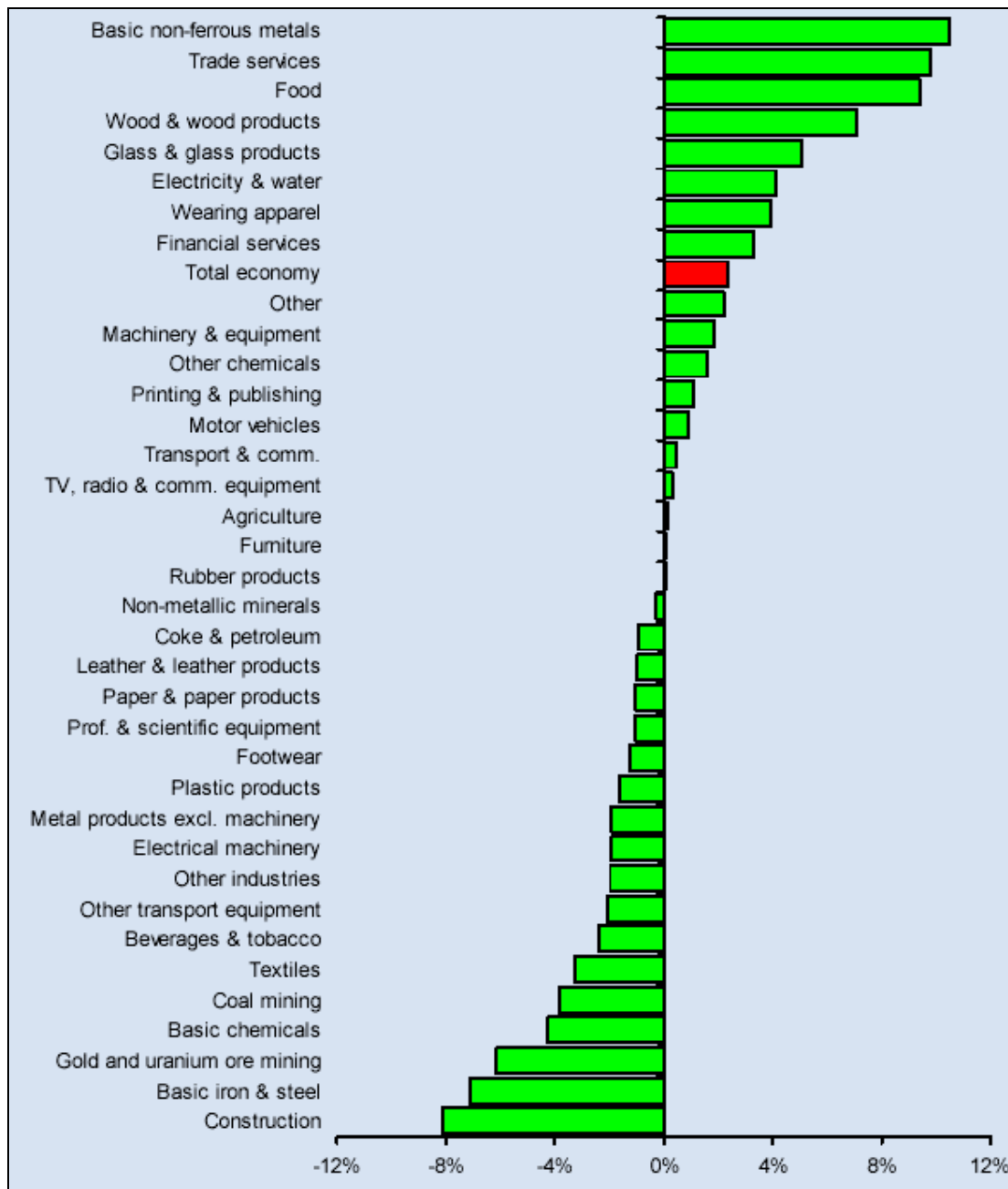
**Table 10: Summary of sectoral prospects**

Sector	Real gross value added 1998-2002 (%)*	Real gross value added 2003-2008 (%)*	Real value of output 2003-2008 (%)*
<b>Agriculture</b>	<b>2,4</b>	<b>0,5</b>	<b>1,3</b>
<b>Mining</b>			
Coal mining	1,1	2,5	2,3
Gold and uranium ore mining	1,1	-4,8	-5,0
Other mining	1,1	1,6	2,1
<b>Manufacturing</b>			
Food	0,9	0,5	0,5
Beverages and tobacco	-1,6	0,4	-1,0
Textiles	-3,3	0,1	-1,3
Wearing apparel	-0,9	-1,1	-2,3
Leather and leather products	-4,0	2,6	2,5
Footwear	-1,8	-2,3	-2,2
Wood and wood products	-3,1	3,5	4,6
Paper and paper products	-0,1	1,5	1,7
Printing, publishing and recording media	-0,2	-1,6	-1,4
Coke and refined petroleum products	3,2	1,5	3,6
Basic chemicals	2,1	6,3	4,4
Other chemicals and man-made fibres	1,7	3,3	3,3
Rubber products	0,2	0,6	0,7
Plastic products	1,2	-0,4	0,5
Glass and glass products	1,8	5,3	3,4
Non-metallic minerals	0,0	-0,9	-0,3
Basic iron and steel	0,8	5,0	3,9
Basic non-ferrous metals	3,0	10,5	10,3
Metal products excluding machinery	2,8	3,7	0,7
Machinery and equipment	1,9	0,7	6,6
Electrical machinery	3,7	3,9	5,0
Television, radio and communication equipment	6,6	-1,9	3,6
Professional and scientific equipment	5,6	-0,4	-0,3
Motor vehicles, parts and accessories	5,9	5,9	5,3
Other transport equipment	4,2	0,4	3,1
Furniture	1,0	3,0	2,1
Other manufacturing	0,1	3,9	5,8
<b>Electricity, gas, steam and water</b>	<b>2,2</b>	<b>1,1</b>	<b>1,9</b>
<b>Construction</b>	<b>0,3</b>	<b>3,4</b>	<b>3,9</b>
<b>Trade, catering and accommodation</b>	<b>2,8</b>	<b>1,9</b>	<b>2,1</b>
<b>Transport, storage and communication</b>	<b>5,0</b>	<b>5,7</b>	<b>1,3</b>
<b>Finance, insurance and business services</b>	<b>3,4</b>	<b>5,0</b>	<b>5,3</b>
<b>Other producers</b>	<b>2,2</b>	<b>0,6</b>	<b>0,8</b>
<b>Total for all sectors</b>	<b>2,7</b>	<b>2,9</b>	<b>2,8</b>

\* Real average annual percentage change

Source: ABSA Sectoral Review 2003

Similarly, a summary is given in the graph below of expected average annual growth in employment in the various sectors. The figures given are projections and thus should not be accepted as fixed.

**Figure 4:** Projected average annual growth in employment, 2003-2008

Note: The percentages given are over the entire period.

Source: ABSA Sectoral Review 2003

## 4. The Labour Market Situation Affecting the Target Sectors

### 4.1 Employment Situation

The 2003 Growth and Development Summit held between labour, business and government to chart a path forward in terms of growth and job creation has set a target of halving unemployment by 2014. The stabilisation and restructuring of the economy has come at a high price, in terms of job losses. Capital intensive production methods, retrenchments, outsourcing and casualisation have been used to increase productivity and raise competitiveness. The summit agreed on the following employment creation measures: enhancing public infrastructure capacity and reinforcing investment in support of

employment creation, creation of an expanded public works programme thus extending job creation initiatives across a broad development front, and expanding education and training and accelerating enrolment in learnerships (competency-based training programmes) to underpin long-term job creation.

Over the last five years only a handful of sectors have shown an increase in their demand for labour, amongst others, Leather Products, Plastic Products, Wood and Wood Products, Wholesale and Retail Trade, Printing and Publishing, Medical Services, Basic Chemicals and Other Chemicals and Television and Communications Equipment producers. In terms of labour demand, these industries are also relatively new on the scene, judging from the positions they held during the 1991-1996 period. However, with the exception of the Wholesale and Retail Trade sector, none of these industries employ many of the economically active population. However, labour shedding has unfortunately been the trend in the relatively large sectors such as Gold Mining, Agriculture, and General Government, and this has cancelled whatever little gains in labour demand that have been recorded elsewhere (TIPS 2001).

It seems that the ongoing employment crisis is not only the result of the poor performance of some industries – as a number have reported good growth, but also because production processes have become less labour intensive, across the board but specifically those industries that have performed well in terms of their contribution to GDP. Thus although the GDP data has been fairly positive, the impact on employment has been fairly negative. The country is getting wealthier as a whole, but as with employment, the wealth has become more concentrated within certain high growth sectors.

The national employment crisis will therefore demand a nuanced policy solution, given that a number of industries have achieved relatively high growth in value-added while shedding labour at the same time, amongst others, Financial Services, Business Services, Motor Vehicles, Parts and Accessories and Communications Services. The structure of the South African economy appears to have been successfully aligned and restructured to match global trends with a move in the direction of the “New Economy” and has seen a shift in production towards tertiary industries, it is increasingly clear that this restructuring alone is not able to address the employment crisis and has, at times, fuelled it.

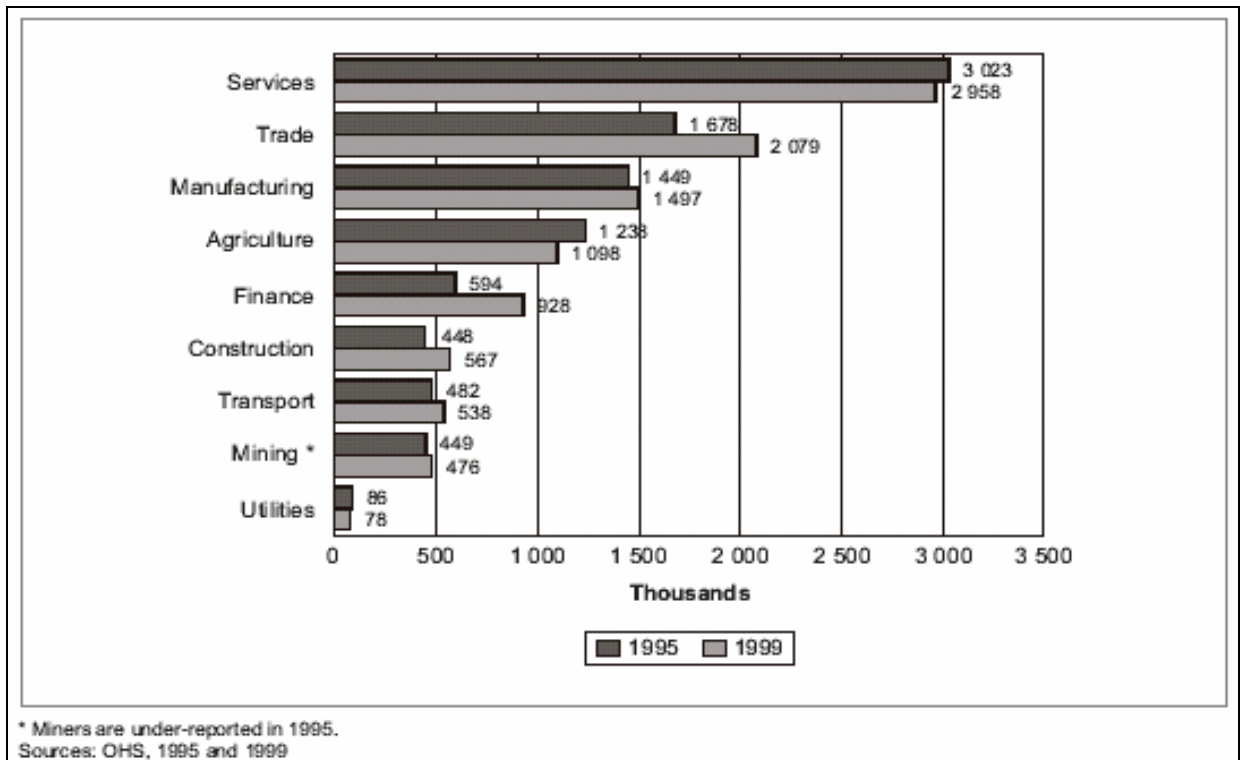
### *Manufacturing*

A decrease of approximately 20 000 employees (-1,6%) in June 2003 compared with March 2003 was reflected by the manufacturing industry. This decrease could have been mainly due to the retrenchments of part-time and contract employees in the manufacture of food products, beverages and footwear. However, these decreases were partially counteracted by increases in the sub-industries of nonmetallic products, wood and wood products, manufacturing n.e.c, watches and clocks, fabricated metals, jewellery and related articles, special purpose machinery, leather and leather products, processing of nuclear fuel, motor vehicles, general purpose machinery, motor vehicles bodies and parts of motor vehicles (SEE: June 2003).

Employment figures over time cannot be directly compared, due to the break between the 1995-1999 October Household Surveys and the ongoing Labour Force Surveys. This is due to change in statistical methodologies. However, general trends can be evidenced from a graphical representation of the 1995-1999 and 2000-2002 periods, as shown in the graphs below.

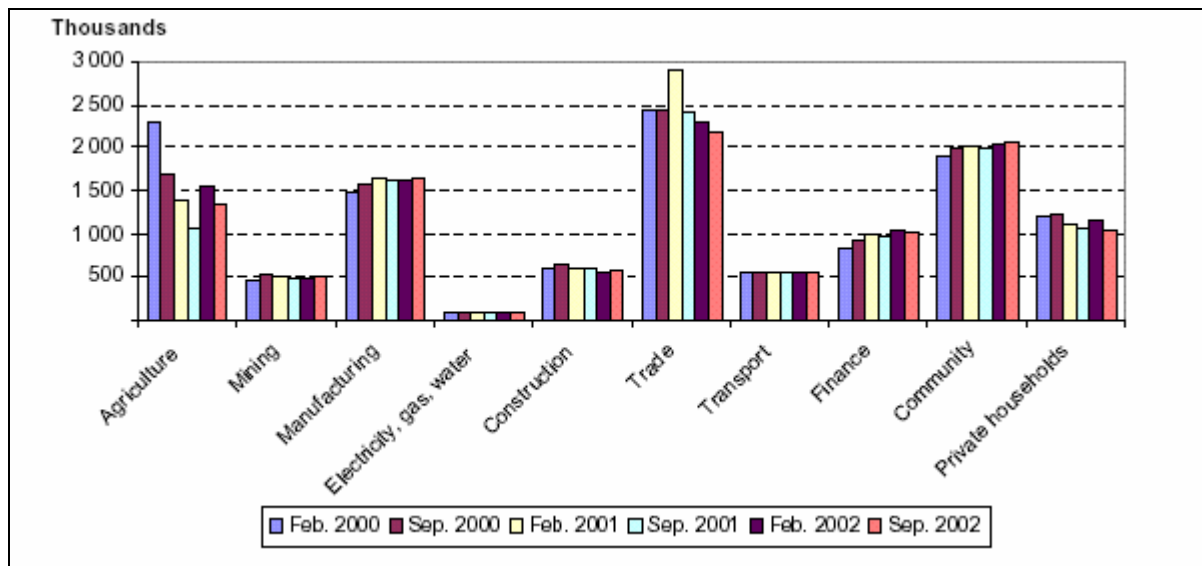


**Figure 5:** *Employment by industry, 1995 compared with 1999*



The change from 2000 to 2002 in employment by industrial sub-sector is then represented in the graph below.

**Figure 6:** *Employment by industry: February 2000 - September 2002*



Source: SSA: LFS 2002

## *Agriculture*

The employment situation in agriculture has been steadily worsening since the early 1990s. Although some employers maintain that the introduction of labour legislation and a minimum wage for the sector has impacted negatively on the employment situation, the unions feel that the reasons are more likely to encompass specific production issues, along the following lines:

- *Changes in land-use and ownership patterns*

The bulk of job loss has its roots in the history of state support to the white commercial farming sector. From the 1930s to the 1970s, the state adopted a political strategy of maximising the number of farmers on the land through subsidising less wealthy white farmers. However, following the Marais-Du Plessis Commission in 1973, the views of the state changed dramatically. The state felt that it would be better for a smaller number of more efficient farmers to control agriculture. It argued that agriculture would then be more productive and efficient farmers would require fewer workers to live on farms. This achieved a second government objective- the displacement of Africans from white rural areas.

The state gradually shifted the focus of its support from poorer farmers to richer ‘more efficient’ farmers and started a process of concentrating farm ownership. Since it was not politically feasible to phase-out subsidies to poorer farmers rapidly, a state scheme was devised whereby less wealthy farmers would be assisted to gradually convert their croplands into pastures for livestock.

However, when even a part of these subsidies began to be removed during the 1980s, the number of farms with bad debts rose sharply, and bankruptcies would have been widespread, but for the ‘safety net’ of the Agricultural Credit Board and periodic debt write-offs. Especially the massive one in 1992/1993, which used almost 80% of all the funds for drought and famine relief. Although most subsidies were then removed, a few were retained. Most notably, those subsidies that helped farmers who changed from grazing to cereal cultivation under the stimulus of very generous crop insurance earlier in the century, to switch back gain.

Job loss and evictions have followed the conversion of crop-farming land to grazing land (which is much less labour intensive) as well as through processes encouraging increased concentration of ownership. More recently further job loss has followed the shift from small livestock to large livestock (e.g. sheep to cattle) as well as the shift to game farming. Many of the lost jobs and evictions follow the disappearance of crop harvesting, a set of labour intensive tasks often undertaken by women and children living on the farm.

- *New technology and machinery*

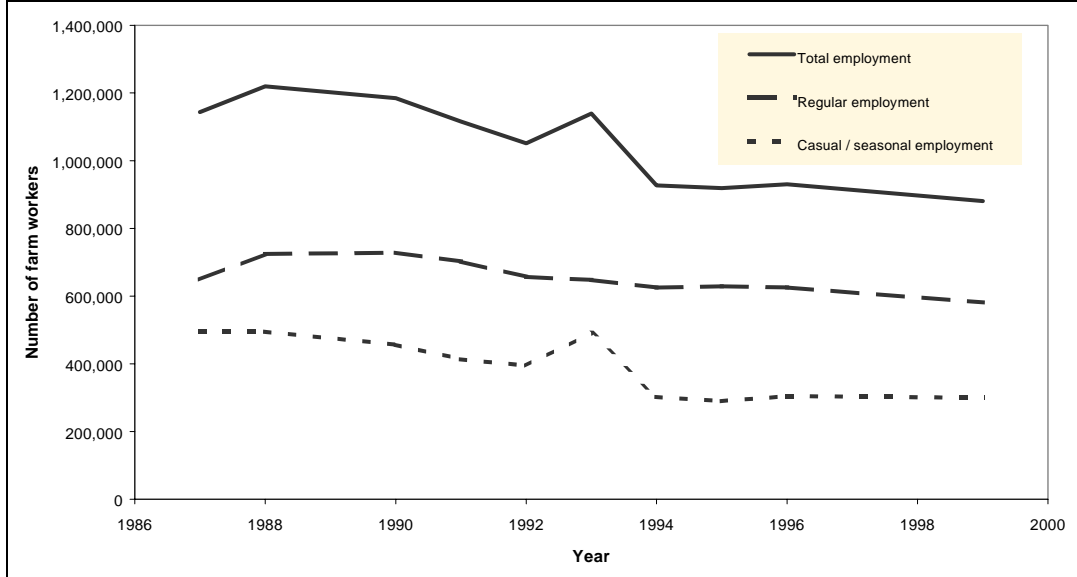
Most of the decline in total employment in Figure 1 consists of seasonal and casual jobs. In addition to new land-use practices, the introduction of new technology has also played a role. Recent refinements in mechanisation and agricultural chemicals (including the means of applying them) have also diminished the role of unskilled labour. Labour has often cited a perceived ‘political’ motivation behind the mechanization of farms by white land owners as a misplaced means of protecting their farms.

- *Squeezing regular workers*

There has also been a steady, but less severe, decline in the number of regular workers as a result of land use change, concentration of ownership and new technology. Regular workers who remain employed are being expected to take on a larger range of tasks and a heavier workload. While there have been significant improvements in labour productivity on some farms, anecdotal evidence suggests that this is not being accompanied by improvements in

wages and working conditions, with many farm worker wages sitting at around half of the lowest industrial wage (NALEDI:2001). The figure below indicates the drop in employment from 1986 to 2000.

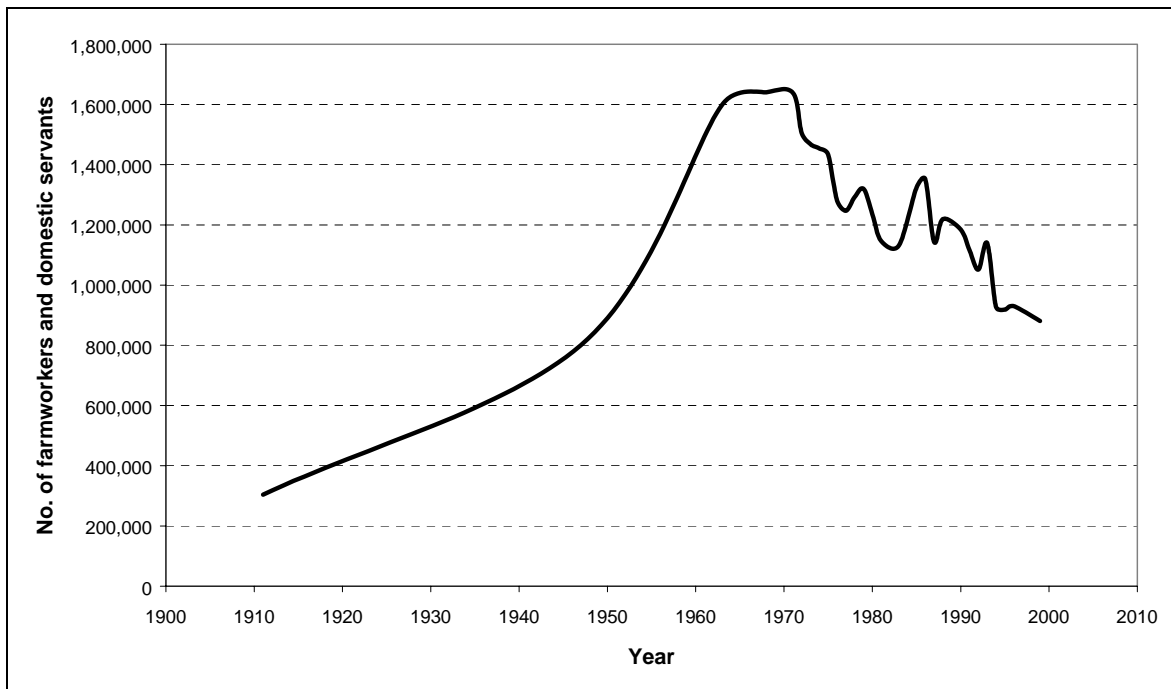
**Figure 7:** *Medium-term trends in regular and seasonal employment on white farms*



Sources: 1987 (Murphy, 1995), 1988-1996 (StatsSA, 2000), 1999 (NDA, 1999)

The long run employment trends in the sector may also be represented as follows, over the period 1900 – 2000.

**Figure 8:** *Long-run trend in agricultural employment, 1900-2000*

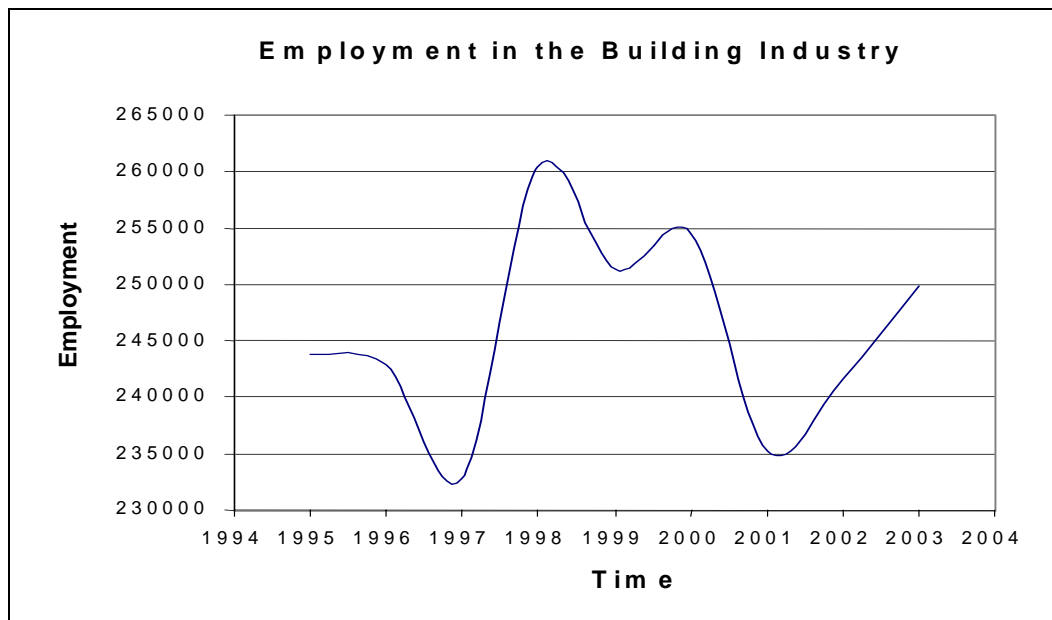


Source: Nat. Dept. of Agriculture: 2000

### Construction

The Building industries Federation of South Africa (BIFSA) has recorded a drop in formal sector employment in the building industry alone from 255 000 in 1990 to 160 000 in 2002. However, this source notes that the "real employment capacity of the industry (is far higher) because many workers are employed in the informal sector", (BIFSA 2003:12). This corresponding increase in the informal sector was anticipated to reach 50% of the industry's workforce by 2003 (BIFSA 2000). If these figures are conflated with formal sector statistics the overall capacity of the construction component of the sector appears to have remained level since the mid 1980s<sup>13</sup>. This suggests that there is a far greater demand for construction labour than is generally represented, but the commitment to formal employment contracts is lacking.

**Figure 9:** *Employment in the building industry, 1994-2004*



Source: *Industry Insight 2001*

Critical trends in employment in the building industry are related to the rapid shift to informal operations and casualisation of jobs. Of specific importance to this sector is the complexity of building, requiring skills diversity and high level co-ordination of disparate tasks. The short time scales of many casual jobs prevent either of these aspects from being learned in the workplace, thus exacerbating the problem of skills inadequacy (NALEDI: 2003).

This sub-sector noted the largest usage of labour brokers, but firms note that the skills level of those hired is inconsistent, as the labour brokers do not have an incentive to train their contract staff. Unions note that labour brokering now continued the trend that previously would have been maintained by cycles of hiring and retrenchments. These cycles appear to be most evident in the construction and jobbing sub-sectors (jobbing across other sectors too) as a result of these sectors dependency on contract work, rather than repeat

<sup>13</sup> This assumption is speculative, as the definition of formal and informal is unclear in the sources consulted, for example the categorization of part-time employment is not made explicit, nor is that of workers on a formal 'Labour Only' contract.

business. I.e. there is no guarantee that the additional workers will be required in six months time. Now that retrenchment costs are seen by firms as expensive, firms do not often hire permanent staff, but just work with labour brokers to satisfy ad hoc demand. However firms note that they felt a loss of control with labour brokering, and that skill levels in those hired are inconsistent (NALEDI: 2003). Large firms state that a large proportion of on-site work is now subcontracted. This occurred as a result of cost-cutting and has spread throughout the industry. Developers were seen to be benefiting the most from this trend, not workers or building/construction firms.

At the other end of the skills scale, emigration of building professionals, upper level technicians and managerial staff dates back to the apartheid era, but the change in government has not curbed the phenomenon. Thus, the skills deficiency in the sector is exacerbated in the critical areas of research, decision-making, policy formulation and in-house capacity building in both the private and public sector.

Despite the continued favouring of machinery, the construction sector is still heavily reliant on labour because of the nature of projects and their complexity. In the developed world, the significance of labour is presently being re-examined. The need for trained people who can adapt to new technologies has been seen and the need to train local people who currently have no skills and are unemployed.

Some questions which arise when considering the role of labour in the sector are:

- With such backlogs in housing and infrastructure, why construction is still a 'no growth' sector, nearly ten years into its democracy;
- Why the delivery of mass housing is so inconsistent, and why the Department of Housing's rhetoric on employment creation through housing provision is not substantially put into practice;
- Why budgets for housing and infrastructure are not spent; and
- Why the sector is still so machine orientated, despite unfavourable rates of exchange and high fuel costs (McCutcheon:2003).

Justification for each of these issues has been given by various role-players, but they are not necessarily conclusive and do not reflect a fundamental concern for workers and the unemployed. Government has a significant role to play with regard to all of these concerns, directly through improving public sector capacity for delivery, and indirectly by providing barriers and incentives to deflect private sector operatives towards more employment orientated practices.

The issue of widespread unemployment has a direct bearing on worker's conditions in that a labour surplus threatens job security and wage negotiations. For those who have jobs in the sector, several factors that result in a low quality of employment have been identified in this report. In summary, they include the casualisation of jobs; cyclic and volatile demand patterns; lack of access to training; and lack of social, financial and legal support. As well as these factors, emerging small contractors take on considerable risk from their management contracting principals who are better equipped to absorb such risk.

For the large, established firms in the sector, shifting policy goalposts and increasingly demanding conditions of tender have encouraged the trend to outsourcing labour and to expanding their sphere of operations outside the country.

Consideration of the role of labour is essential in any serious endeavour to involve the construction sector in Reconstruction and Development. However, it needs clear understanding of the complexity of the industry to make progress. In relation to labour this does not just result from the nature of ownership or the source of funding. The role will be influenced by issues such as: the industry not being factory based; type of project; scale of

operation; geographical and immediate physical location; duration of project; low level of unionisation of the workforce; and variation in levels of construction industry activity.

### ***Transport, Storage and Communication***

The transport, storage and communication industry (most statistics are given for this combined sectoral definition) reported an increase of approximately 4 000 employees (2,0%) between March 2003 and June 2003. This increase could have been mainly due to an increased workload in the land transport sub-industry and also the expansion in air transport operations and activities.

The total number of South African workers in March 2003 was estimated at 11,6 million people. The majority of these people were employed in the formal sector (63,6%). The share of employment of the informal sector (excluding subsistence or small-scale agriculture and domestic service) was estimated at 16,0%, commercial agriculture at 7,5% and subsistence or small-scale agriculture at 3,6%, while domestic workers constituted 8,7% of the employed, and 0,6% did not specify their sector.

South Africa's statistics reflect the country's Apartheid legacy: Africans had the smallest percentage of people employed in the formal sector (62,3%). More than 90% of the Indian/Asian and white population groups (90,5% and 93,6% respectively) were employed in the formal sector. On the other hand, the African population had the highest percentage (25,6%) employed in the informal sector compared to the other population groups (8,6%, 8,5% and 5,6% of the coloured, Indian/Asian and white groups respectively). A similar picture is found with domestic workers. The percentage of African workers employed as domestic workers (11,4%) was higher than in the other population groups (7,7 of employed Coloureds, but only 0,3% of employed Indians/Asians and 0,2% of employed whites). These figures reflect the overlap between race and skills in employment in an economy that increasingly favours skilled and professional workers, who are largely comprised of whites and Asians.

**Table 11:** *Employment by sector 2000 –2003 (000's)*

<b>Sector</b>	<b>Sept 2000</b>	<b>Sept 2001</b>	<b>Sept 2002</b>	<b>Mar 2003</b>
Formal Sector (excluding commercial agriculture)	6 842	6 873	7 034	7 358
Commercial agriculture	667	666	811	865
Informal Sector (excluding subsistence or small scale agriculture)	1 933	1 873	1 703	1 845
Subsistence and small scale agriculture	965	359	520	420
Domestic workers	999	916	875	1 005
Unspecified	306	146	86	75
<b>All</b>	<b>11 712</b>	<b>10 833</b>	<b>11 029</b>	<b>11,565</b>

Source: Statistics SA, LFS 2003, March, SA Labour Review May 2003

The number of jobs created has varied since 2000, with 2003 figures only now returning to 2000 levels. However, although just over 500 000 jobs were created since 2002, the breakdown shows that around 200 000 of these were non-formal sector jobs, i.e. jobs that are

often temporary in nature and are paid at a much lower rate than formal sector employment, often without any significant non-wage benefits. Informal sector jobs have increased from around 250 000 in 1995 to current levels, as retrenched workers have turned to survivalist and micro-enterprise activities in order to sustain themselves.

In addition, the rate of job creation over the last two years as shown above has been outstripped by the rate at which new entrants have entered the labour market. The rise in unemployment has thus been exacerbated by population growth, with new entrants coming into the marketplace faster than retrenched workers are being reabsorbed. The Labour Force Survey of September 2002 estimated that between February 2000 and September 2002 the number of those potentially economically active rose from 26,5 million to 28 million, a 5,7% increase. Job creation was in the negative for most of this overall period. As a result the number of workers in informal employment has grown steadily, from 1.2 million in 1995 to 2.410 million in 1999 to 2.578 million in 2003.<sup>14</sup>

**Table 12:** *Employment in the formal and informal sectors by industry, March 2003*

Industry	Formal	Informal	Domestic	Total
Agriculture	865	420		1 288
Mining	509	3		514
Manufacturing	1 462	196		1 668
Electricity	83	5		88
Construction	369	202		583
Trade	1 489	869		2 373
Transport	464	127		598
Business Services	940	78		1 027
Community Services	2 006	165		2 183
Private Households	1	196	1 005	1 202
Other / Unspecified Industry	34	3		42
<b>Total</b>	<b>8 223</b>	<b>2 265</b>	<b>1 005</b>	<b>11565</b>

**Note:** Total Employment excludes unemployed or those not economically active (ill, retired, too young, homemakers, scholars). Figures include subsistence agriculture.

Source: Stats SA LFS, March 2003

Firms have responded to tougher market conditions (brought on by increasing liberalisation of the economy) by resorting to casualisation, outsourcing and temporary employment contracts. This has allowed them to cut labour costs by avoiding responsibility for most benefits such as medical aid and pensions. Costs are also cut in that firms can easily hire and release such atypical labour on short-term contractual basis without incurring retrenchment costs or strikes. A study of the Metal and Engineering sector<sup>15</sup> that NALEDI participated in early 2003 provided a snapshot of the growth of such atypical labour practices within total employment. The trends are evidenced in Table 13 below. Most new employment in the formal sector may now be comprised of this type of employment especially in sub-contracted labour. Unions have responded by starting to organise and recruit casual workers. A recent retail sector supermarket strike was supported by casual workers and secured more consistent working hours.

<sup>14</sup> Informal sector statistics have proved hard to measure consistently, the sector may be larger than indicated.

<sup>15</sup> According to official statistics, in 2002, the Metals and Engineering sector constituted 29.3% of formal manufacturing employment – a total of 371 000 jobs (Source: IDC 2002).

**Table 13:** Trends in atypical labour in metal and engineering sector, 1999-2002

Typical and atypical labour categories	Percentage of overall sector's employment 1999	Percentage of overall sector's employment 2002
Permanent employees (Full Time and Part Time)	97%	90%
Casual labour	0%	1%
Temporary labour	1%	1%
Sub contracted labour	2%	7%

Source: Naledi (2003)

### Unemployment

A revised system of official statistics was introduced following the advent of democracy in South Africa in 1994. Using the narrow definition of unemployment, the aggregate unemployment rate rose from 20% to 26% between 1994 and 1999. However, according to the broad or expanded definition of unemployment, whereby a person is also unemployed if he or she has not actively sought work in the past four weeks, the increase between 1994 and 1999 was 33% to 36.2%. The expanded definition of unemployment is useful because it captures discouraged work seekers, and is therefore a more accurate reflection of long-term, structural unemployment. In 2000 the method of collection was amended<sup>16</sup>, and statistics for narrowly defined unemployment from that point onward are reflected in the table below.

**Table 14:** Unemployment rate (strict/official definition), Feb 2000 – September 2002

Category	Feb 2000	Sept 2002	Change +/-
Total employed	11,880,000	11,029,000	-851,000
Total unemployed	4,333,000	4,837,000	504,000
Total economically active	16,213,000	15,866,000	-347,000
Total not economically active	10,242,000	12,118,000	1,876,000
Population, 15 – 65 years old	26,454,000	27,984,000	1,530,000
Participation rate (%)	61,3%	56,7%	-4,6%
Labour absorption rate (%)	44,9%	39,4%	- 5,5%
Unemployment rate (%)	26,7%	30,5%	3,8%

Source: Statistics South Africa, Labour Force Survey, September 2002

The current official unemployment figures for 2003 are listed separately below as the 2003 population figures are based on the 2001 Population Census, whereas the 2000-2002 figures were based on the 1996 Census. Statistics SA is in the process of benchmarking the 2000-2002 figures to the 2003 data.

<sup>16</sup> Due to a change in statistical methods and survey implementation utilised in the national statistics post 1999, the figures for the 1990s are not strictly comparable to those commencing 2000. Therefore, where necessary the post 2000 figures are reflected as a separate table. The two sets may be integrated in the future.



**Table 15:** *Official labour market trends, March 2003*

Key	Category	March 2003
a	Total employed	11,565
b	Total unemployed	5,250,000
c	Total economically active (a+b)	16,815,000
d	Total not economically active	12,740,000
e	Population, 15 – 65 years old (c+d)	29,555,000
	Participation rate (%) (c*100/e)	56,9%
	Labour absorption rate (%) (a*100/e)	39,1%
	Unemployment rate (%) (b*100/c)	31,2%

Source: Statistics South Africa, *Labour Force Survey*, March 2003

Between September 2001 and September 2002, employment increased in the mining, manufacturing and public sectors (formal sector) for the first time since 1996. Additional increases were noted overall across the informal sector. However much of the increase results from a methodology change introduced by the government statistics body (Stats SA) in 2000. Stats SA now counts any income-earning activity, no matter how poverty stricken or unstable, as informal employment. Most of the jobs created will probably not sustain longer-term development in the traditional sense: jobs that would provide an income high enough to support a family, promote the acquisition of skills, or increase productivity. From this standpoint, most of the informal jobs created are a form of concealed unemployment, yet are usually the only options available to millions of unemployed. A similar scenario applies to the biggest employment drive yet announced by government, in November 2003. It comprises a massive public works programme providing up to one million mainly unskilled jobs over the next five years in infrastructural repair and community service sector projects. However, these jobs will last, at most, only 18 months. Most will comprise six-month contracts.

Within the official definition of ‘unemployed’, the statistics of those hunting for work are sobering. Of the jobless total of 5,25 million, about 59% have never worked; among jobless people between the ages of 15 and 30, about 75% have never worked; and of the jobless total of 5,25 million, about 26% have been job hunting for one to three years and 41% for more than three years. The broad or expanded definition of employment reveals a far higher picture of joblessness. The expanded numbers essentially reveal that many workers are available, but unable to find anything, as noted above, and so have given up looking.

**Table 16:** *Unemployment rate (expanded definition), Feb 2000 – September 2002*

Category	Feb 2000	Sept 2002	Change
Total employed	11,880,000	11,029,000	-851,000
Total unemployed	6,553,000	7,925,000	1,372,000
Total economically active	18,432,000	18,954,000	522,000
Total not economically active	8,022,000	9,031,000	1,009,000
Population, 15 – 65 years old	26,454,000	27,984,000	1,530,000
Participation rate (%)	69,7%	67,7%	-2%
Labour absorption rate (%)	44,9%	39,4%	-5,5%
Unemployment rate (%)	35,5%	41,8%	6,3%

Source: Statistics South Africa, *Labour Force Survey*, September 2002

The broad definition increases the unemployment rate to above 40% for the first time since the collection of standardised employment data (Table 16). It is an unfortunate paradox that

although the ANC government has succeeded in bringing stability and competitiveness to the macro-economy, this has resulted in even lower levels of employment, thus concentrating the benefits of liberalisation and stability in the hands of a small number of South Africans. The current broad or expanded unemployment figures for 2003 are again listed in Table 17.

**Table 17: Expanded definition labour market trends, March 2003**

Key	Category	March 2003
a	Total employed	11,565,000
b	Total unemployed	8,421,000
c	Total economically active (a+b)	19,986,000
d	Total not economically active	9,569,000
e	Population, 15 – 65 years old (c+d)	29,555,000
	Participation rate (%) (c*100/e)	67,6%
	Labour absorption rate (%) (a*100/e)	39,1%
	Unemployment rate (%) (b*100/c)	42,1%

Source: Statistics South Africa, Labour Force Survey, March 2003

The gendered and racial nature of unemployment is clearly still entrenched in the economy, with present breakdowns still reflecting the economic patterns of the country's colonial and apartheid history.

**Table 18: Official unemployment by race and gender as at March 2003**

Racial group	Unemployment totals by group	Percentage of overall total	Gender analysis of percentage	
			47% male	53% female
Black African	4,592,000	87,5%	47% male	53% female
Coloured	392,000	7,5%	47% male	53% female
Indian/Asian	123,000	2,3%	48% male	52% female
White	142,000	2,7%	50% male	50% female
Total	5,250,000	100%	48% ave	52% ave

Source: Statistics South Africa, Labour Force Survey, March 2003

Unemployment rates, particularly for rural African women, are in fact higher. The September 2000 and September 2002 *Labour Force Surveys* show that unemployment rose more for African women than for any other group (by 9% in just two years). Unemployment amongst African men rose by 6% between 2000 and 2002. These changes increased the number of unemployed by 757 122 amongst African women and by 528 474 amongst African men.

**Table 19: Expanded unemployment rate by race, gender and location**

	African	Coloured	Indian/Asian	White	Total
Urban Men	41%	28%	19%	8%	32%
Urban Women	53%	34%	33%	11%	43%
Rural Men	45%	12%	10%	1%	41%
Rural Women	58%	34%	4%	13%	56%

Source: StatsSA, Labour Force Survey CD ROM, September 2002

## 4.2 Formal and Informal Sectors

**Table 20:** *Formal and informal labour market trends, 1997-2001*

	OHS 1997	OHS 1998	OHS 1999	LFS Feb 2000	LFS Sep 2000	LFS Feb 2001	LFS Sep 2001
Formal	6 405 953	6 527 120	6 812 647	6 677 923	6 841 877	6 678 219	6 872 924
Commercial agriculture	495 530	726 249	804 034	756 984	666 940	698 879	665 941
Subsistence agriculture	163 422	202 290	286 856	1 508 264	964 837	653 428	358 983
Informal	985 669	1 077 017	1 573 986	1 820 350	1 933 675	2 665 227	1 873 136
Domestic work	992 341	749 303	798 524	1 001 108	999 438	914 478	915 831
Unspecified	70 986	107 966	92 905	115 106	305 797	227 013	146 000
<b>Total employed</b>	<b>9 093 901</b>	<b>9 389 945</b>	<b>10 368 952</b>	<b>11 879 735</b>	<b>11 712 564</b>	<b>11 837 244</b>	<b>10 832 815</b>
Unemployed	2 450 738	3 162 662	3 157 605	4 333 104	4 082 248	4 240 034	4 525 309
Not economically active	13 960 772	13 156 940	12 752 967	10 241 611	11 100 135	11 043 527	12 006 413
<b>Total not employed</b>	<b>16 411 510</b>	<b>16 319 602</b>	<b>15 910 572</b>	<b>14 574 715</b>	<b>15 182 383</b>	<b>15 283 561</b>	<b>16 531 722</b>
<b>Total population, age 15-65</b>	<b>25 505 411</b>	<b>25 709 547</b>	<b>26 279 524</b>	<b>26 454 450</b>	<b>26 894 947</b>	<b>27 120 805</b>	<b>27 364 537</b>

Sources: Stats SA October Household Surveys and Labour Force Surveys as specified

The informal sector has grown substantially between 1997 and 2001 (Table 20). This is partly a result of new entrants coming onto the labour market faster than they can be accommodated, and partly a result of the improved stats collection methodologies employed by SARS to assess informal sector employment.

**Table 21:** *Proportion of formal and informal employment by race, 2001*

Race	Formal employment percentage	Informal employment percentage	Domestic workers percentage	Total percentage
African	61.2	25.7	13.1	100
Coloured	79.0	11.6	9.4	100
Indian	91.1	8.3	0.6	100
White	93.2	6.5	0.3	100
<b>Total</b>	<b>71.1</b>	<b>19.4</b>	<b>9.5</b>	<b>100</b>

Source: Stats SA (2001b)

Note: Totals in this table and some that follow do not always add up to 100 due to rounding off.

**Table 22: Proportion of workers in each race group by sector, 2001**

Race	Formal sector percentage	Informal sector percentage
African	55.0	84.5
Coloured	12.6	6.8
Indian	6.4	2.1
White	26.0	6.6
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Stats SA (2001b)

In terms of race, the majority of workers in the informal sector are black (85% in 2001). However, the majority of white and Indian workers in the informal sector occupy more senior and skilled positions.

**Table 23: Proportion of workers in each sector by gender, 2001**

Gender	Formal sector percentage	Informal sector percentage
Male	61.1	54.5
Female	38.9	45.5
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Stats SA (2001b)

The formal sector workforce contains a significantly larger number of male workers than female workers, however in the informal sector the ratio of male to female workers is very similar.

**Table 24: Number and percentage of informal workers by economic sector, 2001**

Economic sector	Number	Percentage
Wholesale/retail	936 997	50.1
Construction	258 442	13.8
Manufacturing	199 108	10.7
Community, social, personal services	163 340	8.8
Private households	127 277	6.8
Transport, storage, communication	103 541	5.5
Financial	76 851	4.1
Mining and quarrying	2695	0.1
Electricity, gas, water	1 796	0.1
<b>Total</b>	<b>1 870 047</b>	<b>100</b>

Source: Stats SA (2001b)

The bulk of informal economy employment is found in the wholesale and retail sectors (50% of workers in 2001). Construction, manufacturing and services also accounted for 33% in 2001. What is interesting is that only 10% of workers were found in manufacturing, which is much smaller than the African average

### **4.3 Salaries and Purchasing Power**

The average level of wage settlements rose over the last two years as inflation rose. A recent survey placed them at 7,4% in 2001, followed by 8% in 2002 and 8,9% in the first half of 2003. Statistics South Africa places the 2002 increase at closer to 10,2%. Most commentators expect that with the rapid decline on inflation in 2003, wage demands will moderate accordingly in 2004. The pick-up in nominal wage growth during 2002 is corroborated by information from the Automated Clearing Bureau on the average salaries, wages and pensions deposited into the bank accounts of almost five million salaried and retired workers. According to these statistics, the average payment rose by 10,1% in 2002 and by 10,3% in the year to the first quarter of 2003. Subsequently, the rate of increase moderated to 7,3% in the year to the second quarter of 2003. According to the Survey of Average Monthly Earnings by Statistics South Africa, nominal remuneration per worker increased by 10,6% in 2002 and by 10,0% in the year to February 2003.

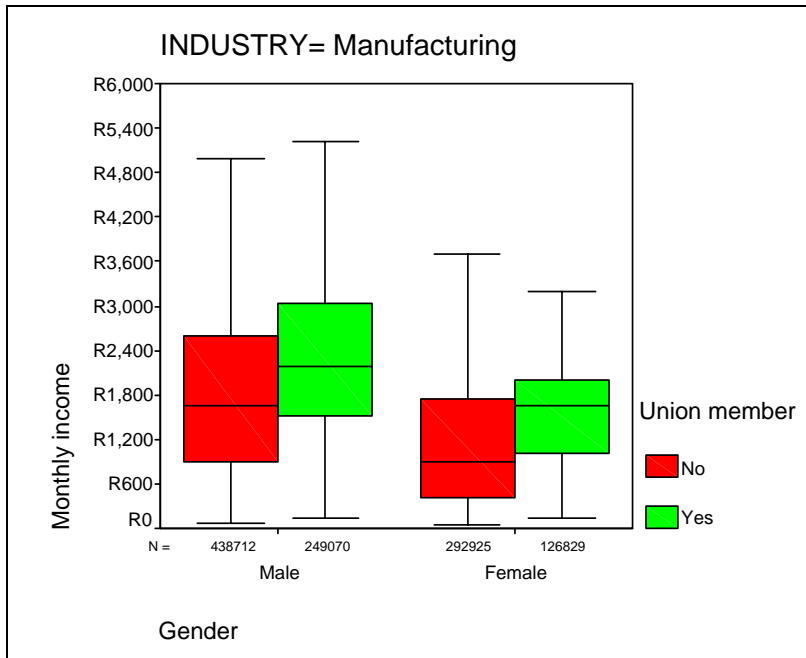
The average annual rate of productivity growth from 1995 to June 2002 was 4,8%. Over the same period, real wages grew at an average year-on-year rate of 2,5%, contributing to declining unit labour costs. These figures are a reflection of the form that restructuring has taken place, with increasing capital intensity and a concentration of job losses amongst lower skilled (mostly Black) employees. Economy wide productivity growth fell during 2002 from a year on year rate of 3,7% in the first quarter to 1,8 % in the fourth quarter. Labour productivity increased in all the main sectors of the economy during 2002. In the transport, storage and communication sector and in the financial intermediation and insurance industry, labour productivity growth remained robust. This was largely related to the capital intensive nature of the expansion in production capacity in these sectors (SA Reserve Bank Annual Report 2003).

#### ***Manufacturing***

The manufacturing industry reflected an increase of R625 million or 3,1% in gross earnings between March 2003 and June 2003. This increase was mainly due to the appointment of highly paid professionals in the manufacture of wood and wood products sub-industry and more overtime hours worked in the manufacturing of beverages and glass and glass products.

The wage level for 2003 may also be graphically reflected as follows:

**Figure 10:** Manufacturing sector monthly wages for black workers in households earning less than r5000 per month by union membership and gender

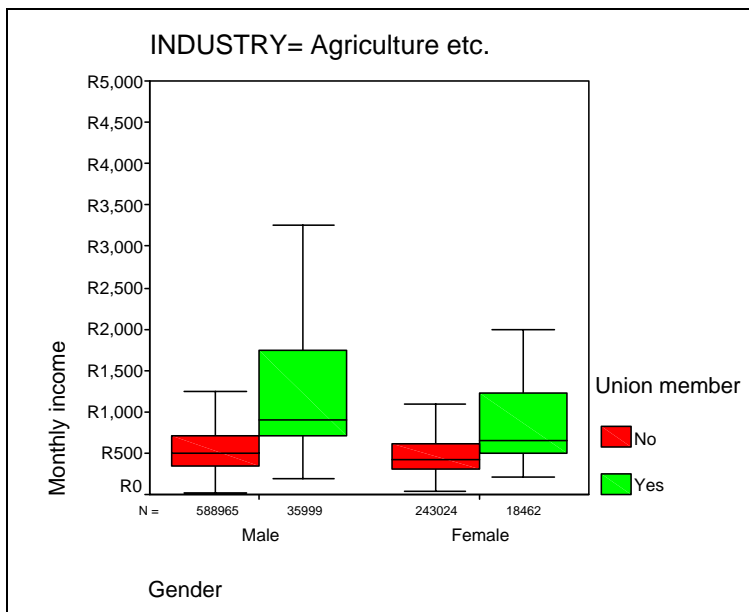


Source: LFS CD Rom: 2002

**Agriculture**

Agricultural sector wages remained depressed, with most employees earning below R2000 a month, as evidenced by the graph below. What is, however, visible is the benefit to wages of belonging to a union.

**Figure 11:** Agriculture sector monthly wages for black workers in households earning less than r5000 per month by union membership and gender

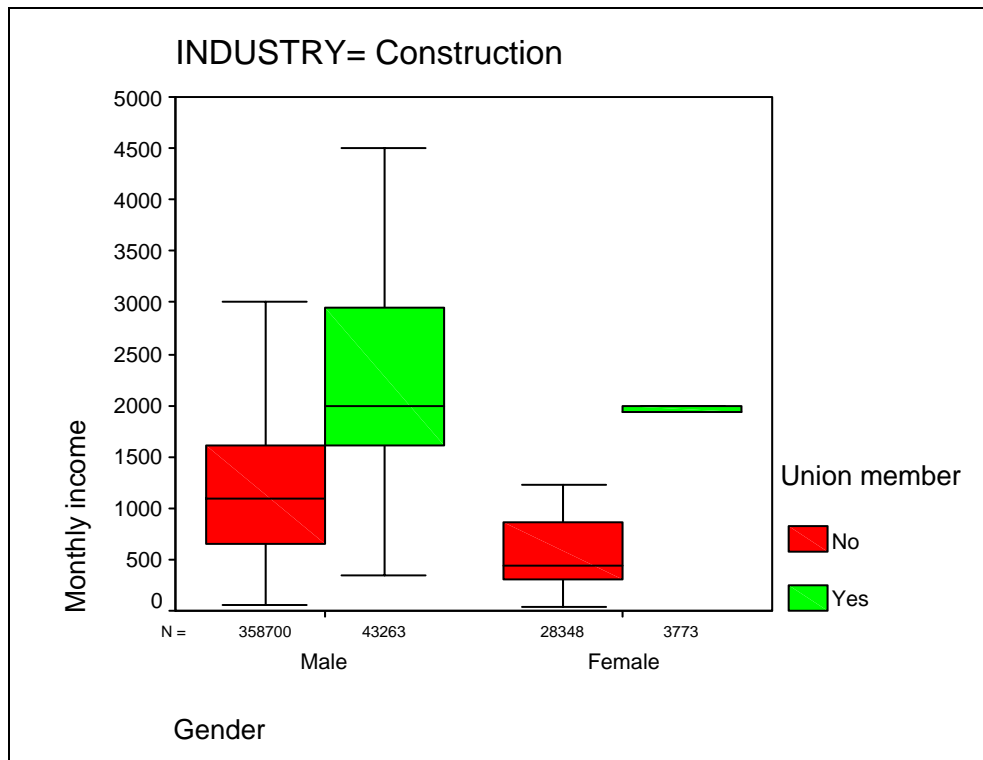


Source: LFS CD Rom: 2002

**Construction**

The construction industry reflected a decrease of R31 million or -1,0% in gross earnings between March 2003 and June 2003. This decrease was due to the completion of projects. The monthly wages for workers in this sector by union membership and gender, can be reflected as follows.

**Figure 12:** Construction sector monthly wages for black workers in households earning less than r5000 per month by union membership and gender

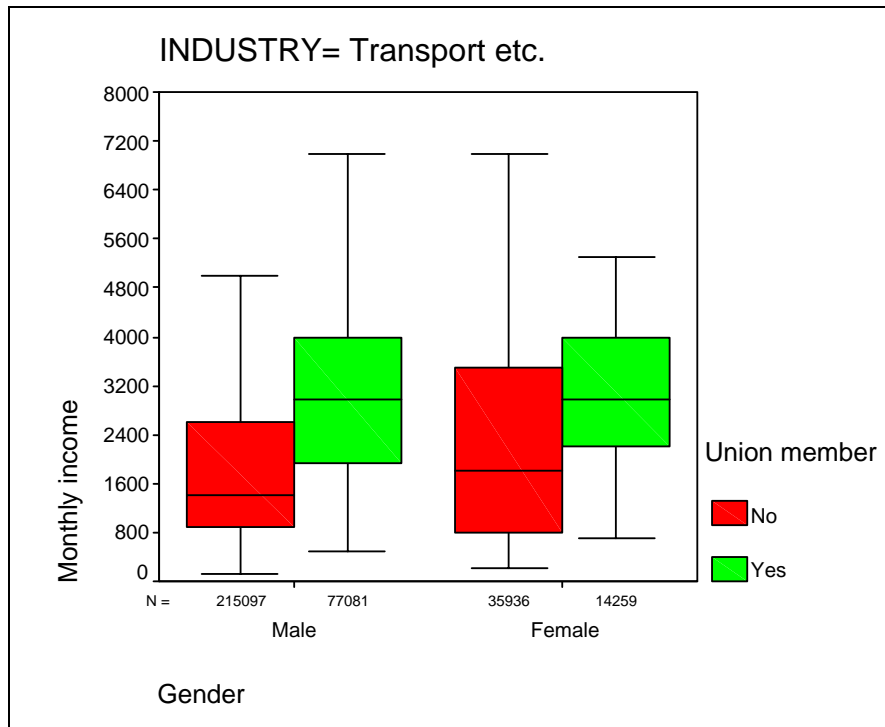


Source: LFS CD Rom: 2002

**Transport, Storage and Communication**

The transport storage and communication industry reflected an increase of R484 million or 9,9% in gross earnings between March 2003 and June 2003. This increase was mainly due to incentive bonuses, overtime payments, profit share bonuses and annual bonuses paid to employees during the June quarter (SSA:SEE:2003).

**Figure 13:** Transport sector monthly wages for black workers in households earning less than r5000 per month by union membership and gender



Source: LFS CD Rom: 2002

**Table 25:** Gross earnings, formal non-agricultural industries

Industry	Quarter ended September 2002 (R'000)	Quarter ended December 2002 (R'000)	Change in gross earnings between quarter ended September 2002 and quarter ended December 2002 (R'000)	Percentage change between quarter ended September 2002 and quarter ended December 2002	Quarter ended March 2003* (R'000)	Change in gross earnings between quarter ended December 2002 and quarter ended March 2003 (R'000)	Percentage change between quarter ended December 2002 and quarter ended March 2003	Quarter ended June 2003 (R'000)	Change in gross earnings between quarter ended March 2003 and quarter ended June 2003 (R'000)	Percentage change between quarter ended March 2003 and quarter ended June 2003
Mining and quarrying	6 766 028	7 025 361	259 333	3,8	7 172 918	147 557	2,1	7 253 236	80 318	1,1
Manufacturing	20 344 749	22 089 284	1 744 535	8,6	20 464 500	-1 624 784	-7,4	21 089 911	625 411	3,1
Electricity, gas and water supply	1 435 391	1 714 223	278 832	19,4	1 533 237	-180 986	-10,6	1 943 016	409 779	26,7
Construction	3 310 389	3 670 703	360 314	10,9	3 038 183	-632 520	-17,2	3 006 998	-31 185	-1,0
Wholesale and retail trade; repair of motor vehicles, motor cycles and personal and household goods; hotels and restaurants	15 950 463	17 100 827	1 150 364	7,2	16 983 043	-117 784	-0,7	17 355 812	372 769	2,2
Transport, storage and communication	4 642 654	5 135 126	492 472	10,6	4 888 171	-246 955	-4,8	5 372 329	484 158	9,9

Source: SEE: June 2003



**Table 26:** Average monthly salaries and wages (including bonuses and overtime payments), at current prices for industry, as at February 2003

Industry sector	Av. monthly wage (Rands) <sup>17</sup>
Mining and quarrying	R5 604
Manufacturing	R5 488
Electricity, gas and water supply	R16 277
Construction	R3 987
Wholesale trade, retail trade, motor trade and hotels	R4 483
Transport, storage and communication	R7 156
Governmental institutions	R8 729
Non-governmental institutions	R4 303
Financial institutions	R11 770
Community, social and personal services	R7 681
National departments	R8 428
Provincial administrations	R7 697
Local governments	R5 933
Other government institutions	R10 136
Total government sector	R7 724
Laundries and dry-cleaning services	R2 010

Source: Stats SA, Survey of Average Monthly earnings, Feb 2003

These figures shown above represent those of overall workers within the sector, and as such the average is above the poverty line in all the sectors listed. However, the picture for monthly earnings by workers across a wider range of sectors, and analysed according to broad salary levels, shows us that a large number of workers are earning very low salaries. Many workers—mostly those without skills—still earn R2500 or less a month across all the sectors (Table 27). At a salary of R2500 or less, few workers can get a bank loan to purchase a house or vehicle. Again, this represents the dual economy of South Africa.

**Table 27:** Workers (employers, employees and self-employed) by monthly income and sector (000's)

Monthly income	Formal	Informal	Domestic	Unspecified	Total
Total number of workers*	8 223	2 265	1 005	73	11 565
None	33	317	*	-	351
R1 - R500	693	899	578	11	2 182
R501 - R1 000	1 187	486	308	*	1 991
R1 001 - R2 500	2 361	320	96	13	2 789
R2 501 - R8 000	2 526	131	*	14	2 674
R8 001+	726	32	-	*	764
Don't know/Refused	679	76	16	*	780

Source: Statistics South Africa, Labour Force Survey, March 2003

\* For all values of 10 000 or lower the sample size is too small for reliable estimates. Due to rounding numbers do not necessarily add up to totals.

<sup>17</sup> Figures in dollars for some of these tables is given in the accompanying dataset. The exchange rate as at 25 November 2003 was R6.65 to a US dollar.

Black African workers comprise the largest group of those earning low salaries. Out of a total of 7,818,000 black workers, 72% fell within the R1,000 to R2,500 bracket in September 2002 (Table 28). Also, female workers are paid much less than male workers and unionised workers earn consistently higher wages than non-unionised ones.

**Table 28: Median monthly wage rates amongst working class black households (September 2002 Rands)<sup>18</sup>**

	Formal unionised		Formal non-unionised		Informal	
	Male	Female	Male	Female	Male	Female
Agriculture etc.	R900	R652	R500	R448	R375	R326
Mining & quarrying	R2,000	R1,700	R1,640	R1,000	R350	R350
Manufacturing	R2,174	R1,652	R1,739	R1,225	R870	R400
Electricity etc.	R3,000	R1,937	R1,937	R1,937		
Construction	R2,000	R1,937	R1,225	R800	R800	R350
Wholesale & retail	R1,937	R1,600	R1,225	R1,000	R652	R350
Transport etc.	R2,958	R2,958	R1,500	R1,937	R1,225	R500
Financial etc.	R1,800	R2,000	R1,600	R1,800	R750	R500
Community etc.	R3,500	R3,969	R1,937	R1,500	R707	R522
Private households*	R1,000	R665	R470	R250	R400**	R400**

Source: StatsSA, *Labour Force Survey* CD ROM, September 2002 (from a paper by E. Watkinson and L. Orr, Naledi, June 2003)

Notes: Excludes missing values, extremes and outliers. Includes African, Indian/Asian and Coloured workers in households spending less than R5000 per month \* Refers to gardeners. \*\* The same median values apply to domestic workers.

### **Minimum Wages**

Minimum wages vary across sectors according to the agreements reached with respective unions, within respective bargaining councils. In addition to minimum wages, sectoral determinations, setting a minimum wage for an entire sector, are in place in a number of sectors where labour has been deemed vulnerable by the national Department of Labour. The most high profile of these has been the recent agriculture and domestic workers determinations.

<sup>18</sup> Median values, as opposed to averages, give a better indication of the centre of the dataset in skewed (non-normal) distributions.

**Table 29: Sectoral determinations, wages and occupations, 2003**

Industry	Monthly minimum wages in Rands	Occupation
Civil Engineering Sector	N/A	N/A
Clothing and Knitting Sector	R595.52	General Employees not classified
Contract Cleaning Sector	R969.90	Cleaner
Domestic Worker	R702.00	Domestic Worker
Farm Worker	R650.00	Farm Worker
Learnership	R480.00	Learner
Private Security Sector	N/A	N/A
Wholesale and Retail Sector	R1 234.77	Security Guard

Source:www.imetwork.co.za

### 4.3 Principal Labour Legislation

A range of legislation covers the working environment in South Africa. Many of these laws were passed in the 1990's, and are amongst the most progressive in the world, providing for institutions to settle disputes and ensure fairness in the workplace. This has been a significant development for South African workers, as industrial relations in the apartheid era were characterised by high levels of racial discrimination, conflict, union repression, cheap labour policies and authoritarian management style. The post-1994 labour legislation has been the product of extensive consultation between government, labour and employers and should be considered part and parcel of the democratisation of South Africa. Alongside the various pieces of legislation have been the introduction of institutions to assist the stakeholders in the implementation of the acts and interpretation of the laws in the workplace.

#### *Occupational Health and Safety Act, 1993*

The changes to the legal system commenced with the Occupational Health and Safety Act, 1993 (the OHSA), which provides for the health and safety of persons at work and for the health and safety of persons in connection with the use of plant and machinery and to provide for protection against hazards to health and safety at work. It sets health and safety standards at work and attempts to prevent accidents occurring. The OHSA therefore places extensive duties on employers and users of machinery by, for example, obliging the employer to establish safety committees in various circumstances.

The Act also established an Advisory Council for Occupational Health and Safety (Bowens 2002); to advise the Minister of Labour on policy matters relating to occupational health and safety. It is composed of 20 members who are nominated by trade union federations, employer bodies and government departments. A major challenge facing the council has been to put mechanisms in place to reduce occupational accidents and fatalities, particularly in South Africa's mining industry, where the fatality rate is still unacceptably high (between 1991 and 2001, the gold mines claimed 3 496 lives in accidents).

#### *National Economic, Development and Labour Council, 1994*

The National Economic, Development and Labour Council (NEDLAC) is an institution of social dialogue that was launched in 1995 following the unanimous passage of the NEDLAC Act by Parliament in 1994. The basis of NEDLAC came from the anti-apartheid movement's struggle against unilateral decision-making and was driven by campaigns from all sectors of

society for decisions to be taken in a more inclusive and transparent manner. NEDLAC is composed of representatives from government, organised labour, organised business and community groupings who debate and try to reach consensus on social and economic policy issues in what the body calls “social dialogue”. This institution and its premise are almost unique in international labour structures. The consultative processes and ethos involved form a remarkable break with traditional approaches to industrial and labour relations. The consensus based format has been remarkably effective in dealing with confrontation between labour, business and government, thus saving the parties time, energy and legal costs. It has also provided a vital bridge between what were previously two completely opposing camps under Apartheid – labour and business. Without such a structure agreement on the shape of post-Apartheid labour relations and other societal issues would have been unlikely, thereby endangering the national reconciliation and development agendas.

Funded by the Department of Labour, NEDLAC’s work is conducted in four chambers: the labour market chamber, the trade and industry chamber, the development chamber and the public finance and monetary chamber. The chambers report to a management committee which oversees the work programme and administrative issues. Organised labour is represented in NEDLAC by the three main labour federations, the Congress of South African Trade Unions, National Council of Trade Unions and the Federation of Unions of South Africa. Organised business is represented by Business Unity South Africa, an umbrella body of 32 employer organisations established only last year by the merger of previously racially defined business organisations. The government delegation to NEDLAC includes ministers, directors-general and senior officials from ministries and departments including Labour, Finance, Trade and Industry and Public Works.

The Act empowers NEDLAC to:

- Strive to promote the goals of economic growth, participation in economic decision-making and social equity;
- Seek to reach consensus and conclude agreements pertaining to social and economic policy.
- Consider all proposed labour legislation relating to labour market policy before it is introduced in Parliament;
- Consider all significant changes to social and economic policy before it is implemented or introduced in Parliament;
- Encourage and promote the formulation of co-ordinated policy on social and economic matters.

NEDLAC’s highest decision-making body is the executive council, which consists of senior government, business and trade union officials as well as leaders of community organisations representing the women’s, youth, disabled and civic sectors. The executive council meets four times a year to discuss key strategic issues facing the economy. Once a year, NEDLAC holds an annual summit to review its work.

Labour is probably the most active constituency at NEDLAC, committing significant resources to processes within the various chambers, task teams and for a within the institution. This is due in large to the fact that it provides labour a foothold in areas of policy that are traditionally the prerogative of government and business.

***Labour Relations Act, 1995***

The Labour Relations Act (LRA) was passed in 1995 with the objective to promote economic development, social justice, labour peace and the democratisation of the workplace. The act sought:

- ▶ to regulate the organisational rights of trade unions;
- ▶ to promote and facilitate collective bargaining at the workplace and at sectoral level;
- ▶ to regulate the right to strike and the recourse to lockout in conformity with the Constitution;
- ▶ to promote employee participation in decision-making through the establishment of workplace forums;
- ▶ to provide simple procedures for the resolution of labour disputes through statutory conciliation, mediation and arbitration (for which purpose the Commission for Conciliation, Mediation and Arbitration is established), and through independent alternative dispute resolution services accredited for that purpose;
- ▶ to establish the Labour Court and Labour Appeal Court as superior courts, with exclusive jurisdiction to decide matters arising from the Act;
- ▶ to provide for a simplified procedure for the registration of trade unions and employers' organisations, and to provide for their regulation to ensure democratic practices and proper financial control;
- ▶ to give effect to the public international law obligations of the Republic relating to labour relations.

This act underpins the entire system of labour legislation and provides parties with legal recourse dedicated exclusively to labour issues with the establishment of the Labour Court and Labour Appeal Court. A major victory for the Labour movement in recent amendments to the Act has been the inclusion of strikes over retrenchments as industrial action that are afforded protected status. However, the parties are also provided with another, innovative avenue to decrease the number of scenarios where legal remedies are pursued. This is in the form of the Commission for Conciliation, Mediation and Arbitration described immediately below.

***Commission for Conciliation, Mediation and Arbitration, 1995***

The Commission for Conciliation, Mediation and Arbitration (CCMA) was established in terms of the Labour Relations Act of 1995 as a dispute prevention and resolution body.

Its policy-making structure is an 11-member governing body comprising three state representatives, three representatives of organised labour, three representatives of organised business, a chairperson and the director of the CCMA. The governing body is nominated by NEDLAC; while the CCMA director is nominated by the governing body. The CCMA has offices in major towns in all of South Africa's nine provinces. The governing body appoints teams of full-time commissioners for each provincial office, supported by a complement of part-time commissioners (GCIS 2003). The commissioners are selected on the strength of their experience and expertise in labour matters, particularly relating to dispute prevention and resolution. Their main brief is to:

- ▶ Mediate to prevent and settle industrial disputes;
- ▶ Conciliate workplace disputes; and
- ▶ Arbitrate disputes that remain unresolved after conciliation.

In the five years since it started operating, about 460 000 disputes have been referred to the CCMA – an average of more than 92 000 cases per year. Between 1 April 2000 and 31 March 2001, 103 096 disputes were referred to the CCMA, representing a 16% increase over the corresponding period in 1999/2000. Nationally, the commission is achieving a settlement rate of 74% so far in the 2003/2004 financial year. The previous rate was 81% for the entire 2002/2003 financial year, so the 2003/2004 average settlement rate is consistent.

### ***Basic Conditions of Employment Act, 1997***

The BCEA establishes minimum standards of employment for virtually all employees in South Africa; the only exceptions are members of the National Defence Force, the National Intelligence Agency, the South African Secret Service, and unpaid volunteers working for charitable organisations. The BCEA requires an employer to regulate the working time of employees. The BCEA enshrines certain employee rights as being "core rights"; such rights are incapable of being varied under any circumstances, even with the consent of the employees concerned. Core rights include ordinary hours of work (a maximum of 45 hours a week), the protection afforded to employees who perform night work, minimum annual leave, maternity leave, sick leave, and employment of children under 15 years of age. Other rights in terms of the BCEA are capable of being varied within certain parameters.

The BCEA has introduced detailed provisions which impose administrative duties on employers. These include the employer being required to give each of its employees, on commencement of employment, detailed and written particulars of the conditions of employment which covers a host of information, including any period of continuous employment with any previous employer that counts towards the employee's period of continuous employment with it, the employee's ordinary hours and days of work, the employee's wage or the rate and method of calculating such wage, the rate of pay for overtime work, the place of work and, when the employee is required or permitted to work at various places, an indication of this, any other cash payments to which the employee is entitled, any payment in kind to which the employee is entitled and the value of such payment in kind, the frequency of remuneration, any deductions to be made from the employee's remuneration, and all periods of leave to which the employee is entitled.

The BCEA does not carry a direct legal sanction. Employers who breach its provisions are accordingly not subject to criminal sanction, but labour inspectors are given the power to enter premises in order to make investigations, to serve compliance orders on non-compliant employers, and eventually to enforce compliance by securing appropriate orders from the labour court.

Attached to the BCEA are also several Codes of Good Practice which are meant to address some of the difficulties experienced by women in the labour market. The first is the Code of Good Practice for Pregnant and Breastfeeding women. The second is the Code of Good Practice on Working time and Night Work provisions which provides that affordable transportation must be made available for those who work night shifts (Valodia 2000).

### ***ILO Conventions***

International Labour Organisation (ILO) conventions are international labour standards drafted by the ILO on labour and employment matters such as child labour, night work, freedom of association and collective bargaining. Member states of the ILO are obliged to consider the ratification of these conventions. In June 1994, South Africa rejoined the ILO when it was accepted as a full member. NEDLAC has so far recommended that the South African government ratify six ILO conventions. The process followed in making these recommendations entailed a special subcommittee considering the conventions and constituency submissions on the conventions. The committee was able to conduct special

investigations to assist it in making its recommendations to the Labour Market Chamber, which then made recommendations to the Executive Council. The ILO conventions ratified by the South African government include:

- Convention 29 on forced labour.
- Convention 87 on freedom of association.
- Convention 98 on the right to organise and collective bargaining.
- Convention 105 on the abolition of forced labour.
- Convention 111 on discrimination.

Most recently, the NEDLAC Executive Council debated the ratification of ILO convention 175 on part timework. Business expressed concern that the practical implications and consequences for South Africa of ratifying this convention were at this stage unclear and needed to be explored before ratification could be considered. The Executive Council agreed to recommend ratification, noting business's concerns.

#### ***Employment Conditions Commission***

The Employment Conditions Commission was established in terms of the Basic Conditions of Employment Act, to further the Act's aims of advancing economic development and social justice by regulating the right to fair labour practices. The five-member commission's brief is to advise the Labour Minister on any matter concerning basic conditions of employment and trends in collective bargaining.

#### ***Protected Disclosures Act, 2000***

The 'Whistleblowers Act' has as its purpose the protection of employees who through an act of whistle blowing fall victim to reprisals or occupational detriments at the workplace. The purpose of the Whistleblowers Act is to create a culture in which employees will disclose information of criminal and other irregular conduct by employers or their co-employees in the workplace in a responsible manner, thereby promoting the eradication of crime and other irregular conduct in State and private bodies. The act ensures that such employees are not subjected to any occupational detriment by their employers on account of the protected disclosure being made. The Whistleblowers Act details which type of information may be disclosed, and to whom it may be disclosed, in order for the employee to qualify for the protection afforded by the Act. The intention behind the Act is to co-opt employees to assist in eradicating corruption and maladministration in the public service, and to highlight and expose general criminal activity and conduct in both the public service and in private companies, without fear of reprisal.

#### ***Unemployment Insurance Act, 2002***

This Act seeks to overcome shortcomings in the present system, including the scope of coverage, financial sustainability, enforcement and compliance measures. In terms of the Act, all employees will pay unemployment insurance and will be entitled to benefits on a sliding scale and subject to a cap. A recent amendment of the Unemployment Insurance Fund Act, has also extended coverage of the Act to domestic and seasonal workers. The amendments now allow for a domestic worker who is employed by multiple employers to apply for proportional UIF cover from each one. Likewise, a domestic worker who is retrenched may now claim partial unemployment insurance.

### *Amendments, Additions and Sectoral Determinations*

Minimum wages vary across sectors according to the agreements reached with respective unions, within respective Bargaining Councils. Examples of these are given in the wages section above. As noted previously, sectoral determinations, i.e. setting a minimum wage for an entire sector, are in place in a number of sectors where labour has been deemed vulnerable by the national Department of Labour. The most high profile of these has been the recent agriculture and domestic workers determinations. Available data indicates a high percentage of employers or domestic workers are complying with both the sectoral determination and UIF regulations for their employees.

Amendments and additions to labour legislation and regulations during the past year included:

- a restructuring of the Unemployment Insurance Act, effective from 1 April 2002, and the extension of unemployment insurance to domestic and agricultural workers from May 2003;
- amendments to the Labour Relations Act and Basic Conditions of Employment Act, effective from 1 August 2002;
- the Code of Good Practice on the Employment of People with Disabilities, effective from 19 August 2002;
- a minimum wage for domestic workers that came into effect on 1 November 2002;
- the sectoral determination for the agricultural sector that was promulgated on 2 December 2002; and
- the sectoral determination for wholesale and retail trade that was promulgated on 19 December 2002

#### **4.4 Compliance with the Labour Laws**

Compliance with labour legislation in South Africa varies from sector to sector, although it is considered high within the formal manufacturing sector, abuses of labour are often reported in the agricultural sector and health and safety standards are often disregarded, leading to accidents, which receive high profile. Besides mining, the chemical and construction sector are often associated with hazardous working conditions. The cooperative, consultative approach to settling labour disputes (the CCMA) combined with extensive space for the three major stakeholders has, however, led to engagement of the stakeholder parties,. This is not to say that disagreement and some reluctance to abide by the current arrangements does not exist, but it is channeled and a forum exists in NEDLAC for all parties to request amendments if necessary.

Another reason why compliance with labour legislation is high is the existence of dedicated structures for the prosecution and sanctioning of labour law offenders. This comprises the CCMA rulings, followed by the labour court and labour appeal court. The existence of these two layers means that parties have an immediate forum in the shape of the CCMA in which to begin addressing the particular labour dispute. This restricts the number of cases that end up in litigation and allows the labour court and labour appeal court to speedily process a smaller caseload. The system therefore allows for fairly rapid settlement of disputes, i.e., justice is not deferred. This acts both as a reassurance to all parties and a deterrent.

A third reason ensuring compliance is that the labour movement is highly organised and politically empowered in South Africa. This enables the labour movement to insist on employers' compliance with labour legislation. The existence of large, cohesive labour



federations such as COSATU and FEDUSA provides a collective influence and impact on employers and employer federations. The labour movement is also vocal and politicised as a result of the struggle against Apartheid. This gives it the confidence to tackle business and government on a range of labour issues and place pressure on the other two parties to enforce labour legislation.

A final reason for compliance is the existence of the National Department of Labour, which is authorised to inspect workplaces and enforce compliance. Regular inspections are undertaken of workplaces and regular interventions into particular sectors are made when required, e.g., to set minimum wage levels.

#### **4.5 Vocational Training Structure**

##### ***South African Qualifications Authority Act, 1995***

From the mid 1990s, a series of Acts were passed which profoundly affected education and training in South Africa (Theta 2003). These were:

- The South African Qualifications Authority Act, Number 58 of 1995;
- The Skills Development Act, Number 97 of 1998;
- The Employment Equity Act, Number 55 of 1998; and
- The Skills Development Levies Act, Number 9 of 1999.

Their principal functions are to:

- make training effective (SAQA Act);
- make training happen (Skills Development Act);
- make training equitable (Employment Equity Act); and
- make training affordable (Skills Development Levies Act).

The SAQA Act set up a qualifications authority and outlined a new education and training system for South Africa which is intended to help the country achieve further transformation by releasing the full potential of each learner through their participation in "outcomes-based education" which focuses on "competence". Central to this is the National Qualification Framework, which locates all education and training on a framework in a way that integrates "formal education" with "vocational training". It also provides for the formalisation of previously non-formal learning programmes, by requiring that they meet certain design and quality specifications. The modules are called "unit standards" and the whole programme a "national qualification". The aim is to encourage the provision of all education and training in line with this framework, giving learners skills mobility and national recognition and employers a way of standardising the quality of people they train and employ.

The other significant factor in this new system is the issues of "competence" which focuses on what a person can demonstrate knowledge of rather than how they acquired their skills/knowledge. This is the first time that learning achievements in both formal and non-formal learning environments have been recognised, thus including a wide range of learning achievements in the workplace. This in turn facilitates further learning, career-pathing and labour market mobility. It has also provided a solution to the Apartheid educational social engineering, whereby black workers were denied the opportunity to study or achieve promotion above a semi-skilled position. Workers thus became skilled over time without being able to formalise these skills through a qualification.

The Act stipulates that there be strong stakeholder involvement in determining standards of competence across all learning areas, and the new quality assurance measures to improve learning provision. The SAQAs work also includes registering the National Standards Bodies (which are bodies responsible for establishing education and training standards or qualifications) and accrediting Education and Training Quality Assurance Bodies (which are responsible for ensuring that the education and training provided is of the required standard).

### ***Skills Development Act, 1998***

The Skills Development Act (SDA) introduced mechanisms to improve the relationship between the provision of education and the skills needs of workplaces (Theta 2003). These included new learning programmes, new approaches to implementing workplace-based learning and financial incentives. Like the SAQA Act, the SDA has changed workplace learning. The vision is of an integrated skills development system, which promotes economic growth, increased employment and social development by focussing on education, training and proper employment practices. The Act seeks to address the reality of the global economy and the need to increase skills in the country to improve productivity and the competitiveness of industry, business, commerce and services. It also looks at ways of making society more inclusive.

A centrepiece of the Act is the introduction of new forms of skills acquisition called learnerships and skills programmes. It also creates a framework and structures to support the implementation of the National Skills Development Strategy, including Sector Education and Training Authorities (SETAs); a skills development levy-grant scheme; the National Skills Authority (NSA); the National Skills Fund (NSF); the Skills Development Planning Unit (SDPU); and labour centres.

The Act aims to increase the amount of money spent on education and training in the workplace, and to make sure the money is spent on activities that are in line with the national skills strategy. While the Skills Development Levy Act of 1999 sets up the rules for the collection of levies, the SDA specifies that the money should be spent on education and training that is registered on the NQF and that meets real needs in the labour market. A new development to organised training is that the SETAs must promote and organise training within a sector, rather than within an industry as the old Industry Training Boards had done. This means that people who are not formally employed in an industry but work or want to work within a sector (e.g. small business, the unemployed) - can gain access to relevant training opportunities where they could not do so previously.

### ***Sector Education and Skills Authority***

A SETA is a body accredited in terms of the South African Qualifications Authorities Act to monitor and assess learning and training. As an accredited body a SETA may establish learnerships if the learnerships consist of a structured learning component, practical work experience and may lead to a qualification registered by the South African Qualifications Authority. The Minister of Labour may establish a Sector Education and Training Authority (SETA) with a constitution for any national economic sector. The SETA will co-ordinate training and implement a skills plan for the industry in which it has jurisdiction. A SETA's management body consists of organised labour, organised employers, relevant government departments and any interested professional bodies for each sector of an industry. The learnership involves an employer, training provider and the learner. Skills development is funded by levies collected in terms of the Skills Development Levies Act and monies appropriated by parliament for the National Skills Fund.

***National Skills Authority***

The 29-member National Skills Authority was established in terms of the Skills Development Act and is made up of representatives from organised business, labour, government and community organisations. Its main function is to advise the Labour Minister about a national skills development strategy and its implementation.

***Skills Development Levies Act, 1999***

The Skills Development Levies Act provided that employers paid a skills levy of 0.5 percent of its monthly payroll for the year commencing 1 April 2000 to 30 March 2001. The levy was increased to 1% of payroll for the year commencing on 1 April 2001. Every employer in South Africa who is registered with the South African Revenue Services for PAYE or has an annual payroll in excess of R250 000,00 must pay the levy. An employer who is liable to pay the skills levy must register with the South African Revenue Services. The employer must choose one SETA which is most representative of its activities. The list of SETAs include accounting and other financial services sector, banking, chemical and allied industries, clothing textile and footwear, construction, defence, education training and development practices, energy and so forth. A labour inspector appointed in terms of the BCEA is empowered to monitor and enforce compliance with the SDLA insofar as it relates to the collection of levies by a SETA or approved body. The inspector is granted powers to enter and search the business premises of the employer.

Employers who are already training their workforce also qualify for a grant in terms of the SDLA. Training may be carried out in house or by a registered trainer. Employers have to start the process by conducting a skills audit. This is then used to draw up and submit a workplace skills plan to their relevant SETA. This should include a breakdown of all staff according to race and gender. The workplace skills plan must detail what past training employees have had, and it has to link its training priorities with the strategic objectives of the organisation. It must also show that employers have put in place some kind of quality assurance system so they can monitor the type of training that is done and link it to levels in the National Qualifications Framework. Thereafter, the next step is to actually implement the skills plan and provide the SETA with a report detailing exactly how they have implemented their skills plan. For every step of the process completed, employers get back a percentage of the skills levy they have paid, up to a total of 70%. In addition, employers are entitled to a tax rebate of R25,000 for every person they place in a "learnership". An element of the remaining portion of each levy (18%) is sent to the National Skills Fund for national priorities like schemes for the unemployed, while 10% is for the SETA's running costs. 2% is allocated to the Receiver of Revenue for the collection of the levies.

What has been observed however in research conducted by Naledi and other bodies, is that many companies (especially small and medium businesses) regard the detailed training process as a nuisance, and although they pay the levy, they write off the cost as a tax and do not submit the plans. Although failure to pay the levy is an offence, failing to conduct training is not. A further complication is that equitable training is not mandatory under the act, i.e., some companies have been using the levy to train skilled white staff rather than their semi or unskilled black staff.

***The Employment Equity Act, 1998***

In line with the right to equality enshrined in the Bill of Rights, the Employment Equity Act (EEA) aims to promote equality in the workplace—to eliminate unfair discrimination and to ensure employment equity as a form of redress. The Act aims to create a workforce which is representative of all South Africans. The EEA affects almost every aspect of employment policy and practice:

- recruitment procedures, advertising and selection criteria;
- appointments and the appointment processes;
- job classification and grading;
- remuneration and employment benefits; and
- terms and conditions of service

The chapter of the EEA which prohibits unfair discrimination applies to all employers. Every employer is obliged to take steps to promote equal opportunity in the workplace by eliminating unfair discrimination in any employment policy or practice, and no employer may unfairly discriminate, directly or indirectly, against an employee in any employment policy or practice on the grounds of race, gender, sex, pregnancy, marital status, family responsibility, ethnic or social origin, colour, sexual orientation, age, disability, religion, HIV status, conscience, belief, political opinion, culture, language or birth.

The EEA identifies designated employers. An employer who employs 50 or more employees is deemed to be a designated employer, and if the employer employs fewer than 50 employees it will nevertheless be a designated employer if its total annual turnover is in excess of designated thresholds e.g. R10 000 000,00 per annum in the manufacturing sector or finance and business services sector; R25 000 000,00 in wholesale trade, commercial agents and allied services sector. These employers will be held liable if they do not comply with the demands of the Act.

The Act identifies a number of designated groups (or special groups) which require special attention in order for equitable workplaces to be created. These groups are black people (that is, African, Coloured and Indian people), people with disabilities and women. Employers are required to report on these categories of people (gender, race and disability) in their Workplace Skills Plans and annual training reports. The Skills Development Act states that the Workplace Skills Plans must assist organisations to attain their employment equity targets.

The EEA specifically provides that it does not constitute unfair discrimination for an employer to take affirmative action measures in order to give employees from historically disadvantaged groups equal employment opportunities in the workplace or to distinguish, exclude or prefer any person based on the inherent requirements of a job. However, the EEA makes it clear that employers are not required to adopt employment policies that adversely affect people who do not come from historically disadvantaged groups.

Designated employers must implement affirmative action measures for people from designated groups to achieve employment equity. To do so, they must appoint a senior manager in charge of employment equity; consult with employees; analyse employment policies, practices and procedures to identify barriers to employment; prepare an Employment Equity Plan jointly with its employees and report on progress to the national Department of Labour. An employer who does not abide by these steps can be penalised, however the failure of an employer to meet goals, achieve its self-imposed timetable, or achieve employment equity via affirmative action measures is not subject to penalties. The EEA does not penalise employers for failing to implement satisfactory affirmative action measures despite their intention, or stated intention, to do so.

This Act seeks in a cooperative manner to intervene in the process of racial employment redress. The rationale is that, left to its own devices, the market will only achieve equity over a very long period of time, and the resulting social instability would be dangerous to society. In another innovative step, the act seeks to address the Apartheid wage gap. This gap exists due to the artificial imbalance of power in the workplace that was fostered and maintained by

Apartheid. This allowed white management to significantly restrict the salaries of workers whilst awarding themselves large increases. Even in 2002/03, various media reports highlighted the incidence on managers receiving increases of up to 35% whilst trade unions had to fight for increases of 7% to 9% for their members.

The Act requires the designated employers to submit a statement, at the time that each skills and equity report is submitted, on the remuneration and benefits paid out to each occupational category and level of its workforce. This "income differential statement" is submitted to the Employment Conditions Commission. The EEA provides that where disproportionate income differentials are reflected, the designated employer must take measures to progressively reduce such differentials. The Employment Equity Act does not attempt to define "disproportionate"; rather the Employment Conditions Commission is obliged to research and investigate norms and benchmarks for proportionate income differentials and advise the Minister of Labour on appropriate measures for reducing disproportional differentials. The income differential statement submitted to the Employment Conditions Commission is to be kept confidential by the Commission, although employees and their trade union engaged in collective bargaining with the employer (e.g. annual wage negotiations) may request the information contained in the income differential statement which must then be disclosed. This disclosure is subject to certain safeguards contained in the LRA.

#### ***Commission for Employment Equity***

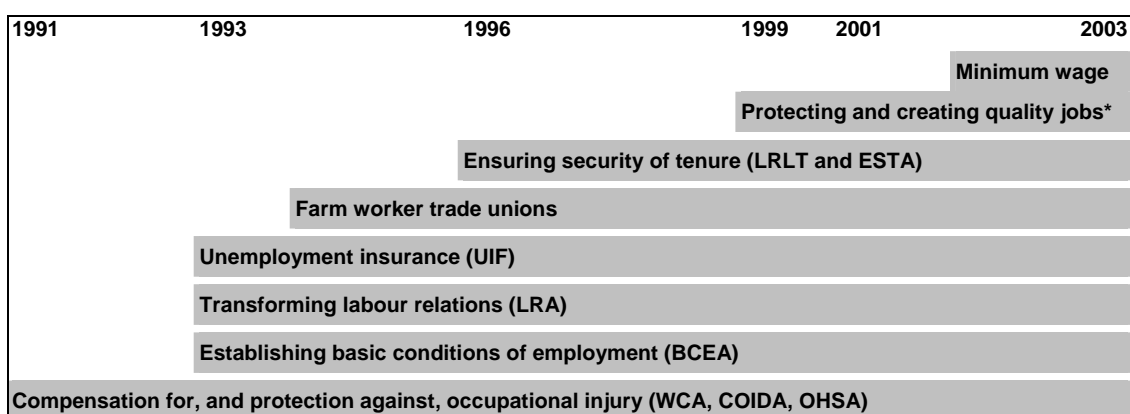
The Employment Equity Act also provided for the establishment of a Commission of Employment Equity, which is a stakeholder body responsible for establishing Codes of Good Practice. The Act requires that these codes are monitored and enforced, and says how this should happen. The nine-member commission monitors employers who employ 50 or more workers to ensure that they eliminate unfair employment discrimination by promoting equal opportunity and fair treatment; and achieve a diverse workforce that is broadly representative of South Africa's people. Research into the metals and engineering sector undertaken by NALEDI showed that although companies may be following the letter of the law in terms of employment equity, large scale retrenchments mainly affect the lower skilled African workers in companies. This means that companies may be following all their obligations under the law, however, the impact of their activities is to further disempower and impoverish the very workers the Act was designed to benefit.

#### **4.6 Examples of Sectoral Challenges in two sectors**

Implementation and compliance challenges still remain, as is evidenced by the example of the ongoing struggle to implement the various pieces of legislation in the two sectors considered.

##### ***Agriculture***

Organisations within the democratic movement (including some government departments) continue to struggle for the protection of farm workers' livelihoods as well as for improvements in labour standards on farms. Over the last decade, a set of measures has been built to protect farm worker rights.

**Figure 30:** *Progress toward improved labour standards and security of tenure in agriculture*

\* 1999- Joint statement at the Agricultural Indaba; 2001- Vision for Labour Relations in Agriculture; 2001- Department of Labour Minimum Wage Investigation

While new laws have created some space for this to be achieved, implementing them is an on-going struggle. The Department of Labour received 4,336 complaints from farm workers between January and September 1999 and the South African Human Rights Commission initiated an inquiry into human rights in farming communities. More recently, tripartite agreements have aimed to protect and create quality jobs, in addition to increasing productivity.

### **Construction**

The building and civil engineering industries, through BIFSA (the building federation) and SAFSEC (the civil engineers federation), have run training schemes for many years, financed by compulsory levies on employers. These have been criticized in recent years for the small numbers trained in relation to the costs incurred, especially the building industry scheme, BITS.

The Skills Development Act No.97 of 1998 and the Skills Development Levies Act No.9 of 1999 have superseded these schemes. The levy grant scheme aims to expand the knowledge and competencies of the labour force resulting in improvements in employability and productivity. The intention is to stimulate skills development by enabling employers to reclaim some expenditure on skills enhancement initiatives.

Levies are paid by employers into the National Skills Fund through the South African Revenue Services, from which Sectoral Education and Training Authorities pay levy-grants to qualifying employers. The Construction Education and Training Authority (CETA) has been established as the SETA for the building and construction industry through a process of consultation preceding the drafting of a Skills Plan. One of the most serious concerns recorded in this process was that contractors no longer employ permanent staff therefore there are limited in-service training opportunities. Another consideration is that the large numbers of informal operatives are unlikely either to pay into the levy or to make use of the training facilities on offer.

As its primary objectives, the CETA has committed itself to supporting and developing SMMEs and skills for individuals through the vehicle of 'learnerships' which have a focus on workplace learning. They aim to provide "entrepreneurial and trade skills for 2 762 people in all provinces until March 2005", however statistics on the extent to which they are achieving this goal are not available. Presently, data on any outputs relating to the CETA are inaccessible (if they exist), for example, information is available on the fairly extensive list of learnerships that have been registered, but numbers of trainees is not.

#### 4.7 Collective Bargaining System

Bargaining councils are provided for under the Labour Relations Act. When the new Labour Relations Act 66/95 came into operation, the names of the industrial councils changed to bargaining councils. In addition, the Labour Relations Act also provides for new bargaining councils to be established. Section 27(1) states that one or more registered trade unions and one or more registered employers organizations may establish a bargaining council for a sector and area by (a) adopting an institution that meet the requirement of Section 30 and (b) obtaining registration of the bargaining council in terms of Section 29. The functions and powers given to bargaining councils by the Labour Relations Act were provided so as:

- To conclude collective agreements;
- To enforce those collective agreements;
- To prevent and resolve labour disputes;
- To perform the dispute resolution functions referred to in section 51;
- To establish and administer a fund to be used for resolving disputes;
- To promote and establish training and education schemes;
- To establish and administer pension, provident, medical aid, sick pay, leave pay and training schemes and funds and any similar schemes or funds for the benefit of one or more of the parties to the bargaining council or their members;
- To develop proposals for submission to NEDLAC or any other appropriate forum, policy and legislation that may affect the sector and area.

One of the most important functions of the bargaining councils is to conclude collective agreements and establish bargaining forums.

Employer organizations and trade unions can become a party to the bargaining council and these organizations can negotiate on behalf of their members, minimum terms and conditions of employment that will bind their members. In addition to Bargaining Councils providing collective bargaining forums for trade unions and employers' organizations, a bargaining council is entitled to make the terms of an agreement binding on all members of the council and in some circumstances on all who fall within the jurisdiction of the council. The effect of the provisions of the bargaining councils agreement is that the minimum terms and conditions of employment negotiated by a bargaining council and contained in an agreement published in their Government Gazette will bind all the employers and employees in the industry.

Bargaining council agreements therefore reinforce and give expression to existing legislation. If a council agreement is declared binding on a trade union or employers organization all members of that trade union will be bound by that agreement, including non parties on a date after the agreement has been declared binding. Members of the trade union or employers' organization will also remain bound by the provisions of the agreement even if they should subsequently cease to be members of the union or organization. A bargaining council agreement will remain binding for the period specified in the notice in the Government Gazette.

An agreement can regulate a wide range of matters, for instance, it can regulate the relationship between a union and the employer by providing procedures for possible settlement of disputes which might arise. It can regulate the terms and conditions of employment. The intention is to apply these collectively agreed upon terms and conditions of employment to the individual contracts of employment for all employees and employers in the industry. If the employer does not observe these standards, then they may be fined.

Although debate still occurs around whether collective bargaining provides a greater advantage to employers or unions, it allows for a standardised framework for applying legislation across sectors. It also allows parties to reduce the amount of time and effort involved in labour negotiations, compared to each firm conducting its own process of negotiation.

#### **4.8 Analysis of union perspectives on labour legislation**

The labour market was the centrepiece of apartheid. The new, democratic government therefore sought to put in place a series of laws that would counter this history of labour suppression. As described above, these laws included:

- Labour Relations Act – this law regulates the relationship between trade unions and employers
- Basic Conditions of Employment Act – this law sets minimum conditions for all workers, especially those that fall below a prescribed wage threshold
- Employment Equity Act – this law tackles South Africa’s history of racial job reservations, and removes barriers to employment and advancement of historically disadvantaged groups (so-called “designated groups”)
- Skills Development Act – this law addresses the apartheid legacy of under-investment in skills development of black people, and the growing tendency of companies to neglect training needs of their workforces and the broader economy
- Unemployment Insurance Fund – this law seeks to improve the functioning of the UIF, a contribution-based fund that provides short-term (maximum six month) benefits to five million formal sector workers. In the context of high and long-term unemployment, this Fund is increasingly mismatched to the employment environment

What do trade unionists feel about the impact of labour laws on workers in South Africa, especially low-income workers and vulnerable workers? To develop this section of the paper, in-depth interviews were conducted by Naledi in 2001 with COSATU, NUMSA (metal), NUM (mining), CEPPWAWU (chemical and paper), NEHAWU (public service) and SATAWU (transport).

In sum, unionists recognised that there was a need to introduce these laws quickly. Further, unionists acknowledged that the new laws could all play a crucial role in bolstering the rights of workers (NALEDI:2001).

However, while the South African labour laws are good on paper, their implementation is often the problem. The current labour laws are seen as giving workers minimum protection but it depends on how unions are using the space provided to pursue goals. Further, the largely simultaneous introduction of new laws has placed a massive capacity strain on both unions and the Department of Labour, which need to understand the laws and put in place capacity to promote their effective implementation.

Finally, the progressive stance of the new labour laws is contradicted by neo-liberal economic policies. This contradiction reflects differences within the State, and within components of the Tripartite Alliance.

#### **Labour Relations Act**

The LRA has resulted in many advances for workers in protecting their collective bargaining rights with employers.



However the LRA excludes “independent contractors” from the definition of “employees”. This is a significant weakness as many employers are employing so-called independent contractors in place of regular workers. Employers are employing independent contractors (though they are often dependent on employers) to circumvent labour laws through turning a labour contract into an apparent commercial contract. In this sense, the LRA is seen as not protecting casual and contract workers, which categories are on the increase due to restructuring and globalisation. In general there is a strong need to find ways, including amendments to the law, to organise vulnerable workers and allow them to have access to collective bargaining.

A further concern is that employers are allowed to retrench workers for “operational” requirements, widely defined. Thus despite the perception that labour markets are inflexible, retrenchments are easy to implement – and have resulted in massive jobs losses in the past few years.

Dismissal of workers, however, does require employers to show “fair reason” and “fair procedure”. This prohibits the past discriminatory practices inherent in easy dismissals. This requires that employers change their approach to managing labour, something that they are generally reluctant or find difficult to do. Further, the law established the CCMA to be a mediation and arbitration body that workers and employers can call upon to resolve disputes. This body has resulted in most disputes being resolved more quickly. However, NALEDI’s research revealed that some unionists do not have much faith in the skills of some CCMA presiding officers, due to perceived inconsistency in the granting of awards or verdict cases (NALEDI:2001).

### **Employment Equity Act**

There was a lot of support for the Employment Equity Act (amongst unionists surveyed by NALEDI), which seeks to redress past inequalities in terms of employee recruitment and employment profiles of companies. Disadvantaged groups, referred to as “designated groups”, include blacks, women, and the disabled. Companies are required to develop employment profiles, identify barriers to employment/ advancement of designated groups in their company, and develop and implement plans to address this. These must be reported on to the Department of Labour. The EEA applies only to firms of a certain size (employment or turnover), and does not include any targets; firms are required to determine their own targets after consultation with employees/ unions.

Some unionists indicated that some employers emphasize the recruitment of white women or middle-class blacks for management or skilled posts. There is little benefit being derived for those workers in the lower grades. The weakness of unions is very evident in terms of driving or monitoring employment equity developments with employers generally taking the lead in setting in place often inappropriate employment equity plans.

There appears to be non-compliance with the Act, often with employers prepared to pay penalties instead of changing their employment profile. This level of non-compliance is exacerbated by the poor capacity of the Departmental of Labour to effectively monitor and evaluate compliance.

### **Basic Conditions of Employment Act**

Most of the unionists saw the BCEA, intended to provide a basic floor of rights, as offering insufficient protection for vulnerable workers. A particular weakness is the absence of minimum wages, requiring that workers negotiate with employers to settle their own wages. However the least organised and most vulnerable workers, particularly the millions of

domestic, farm and non-permanent, are thrown at the mercy of employers and invariably earn wages far below the poverty line. These workers are extremely difficult to unionise, and repeated union attempts to do so have usually failed.

The new BCEA also lowered maternity benefits to millions of women workers. While setting a minimum of four months unpaid leave, the law imposed this universal minimum on the Unemployment Insurance Fund that had until then allowed women six months paid benefits.

Despite these weaknesses and setbacks, unionists saw the BCEA as a victory for most workers in South Africa.

### **Skills Development Act**

This Act levied employers to contribute to a fund that supports skills development in all sectors of the economy. Employers implementing a skills plan can recover their costs from this fund. The law thus forces all employers to share in the costs of skills development, and also creates incentives for them to establish workplace skills plans.

As there is a shortage of skills in South Africa, most unionists regard this Act as a good step. However once again unionists mentioned that shop stewards and unionists are not active in participating in the newly established sector skills bodies. Further the levy on companies, one per cent of the wage bill, was seen as very low compared to the much higher international norm of company expenditure on skills development.

The skills development area was identified as one area where the lack of union capacity is most apparent, resulting in lower than average levels of union influence. The weakness of the Department of Labour also contributes to employers having most influence on the implementation of this law. A further concern among unionists was that the Act benefited workers in big companies and does not take into consideration the interests of workers in small companies.

As a proposal for the future, unionists stressed the need to train shop stewards and union officials to understand the Skills Development Act. In this event, unions would be both willing and able to participate fully in the sector skills bodies.

With the opening of the local market to foreign competition, companies should be training workers in order to adapt to the changing technological innovations and production processes taking place in the industry. This is in order to both reduce costs and supply at the required level of quality. Upgrading skills are however perceived as unpredictable by management, with no guarantees that they will produce equal or increased productivity or quality gains. Many firms also see capital investment as more certain of bringing consistent results. This leads to cost cutting decisions being targeted at unskilled workers. The conflictual character of management and labour relations and the racial divide across the skills gap also complicates and clouds debates around the raising of productivity through skills enhancement (NALEDI:2003).

Moreover, workers and shop stewards in most of the companies argue that managers, instead of training and skilling workers, are implementing strategies of simply retrenching or getting rid of the older and semi-skilled labour force and through the process of natural attrition, preferring to retain the young and more skilled workforce (BW: Performance Review 2002: 52). This does not change the fact that there is a need for re-skilling of the unskilled workers for productivity reasons and to comply with the Employment Equity Act (EEA). However, according to the Sector Education Training Authority (SETA) out of 5000 registered companies in the Merseta only 500 companies have applied for the Workplace Skills Planning Grant. Most of the 500 companies that have applied for the grants are predominantly big companies, comprising 12% of registered companies. Companies that do

not apply for the grants include medium and small companies, which constitute 4000 companies. This information clearly shows that most workers belonging to the medium and small companies do not receive skills training due to the fact that many companies in the two industries either do not take the issue of training and skilling their workforce seriously, or find the concept of accessing the government systems too difficult (BW Performance Review:2002:53). Many firms interviewed for a 2003 NALEDI study fit into this profile, with management either not aware of skills training possibilities, or not prepared to commit the energy and time required to draw up skills development plans and secure rebates on training. For example companies decide to write the Skills Development Levy off as a tax.

### **Present Labour Laws and Organisational Rights**

Most of the unionists agreed that the present labour laws promoted better organisational rights for workers.

Some respondents said that the LRA oblige employers to disclose collective bargain relevant information. However employers often deliberately give unions a "full wheelbarrow of (mostly useless) information" which sometimes results in unions not being able to work through it. Where unions have developed their research or technical capacity, this is less likely to be the case. However, companies are not required to disclose any information that they consider private and confidential, and in this regard it is the employer who effectively defines what is confidential, private and privileged. On the other hand, the employer has access to information of everything on the employees.

Organisational rights, such as freedom of association and stop order facilities, are regarded as being strengthened by the new laws. This helps unions to recruit, be financially independent and viable. This encourages financially stable unions and limits employer or the State ability to disrupt unions.

Workers who go on a "procedural" strike (that is, follow the process as laid down by the Act) cannot be dismissed. As the laid down procedure is not particularly difficult, this is seen as a positive step. On the other hand, some unionists are not happy about the Act excluding large categories of so-called "essential service" workers from the right to strike (these workers must settle disputes through arbitration).

To promote union democracy, the LRA stipulates clearly that unions are required to have audited statements, hold congresses and other open processes. Most of the unionists agree that unions are independent and are controlled by workers.

## **5. The State of the Labour Movement**

Trade unionism in South Africa grew as a powerful force mobilised against the race-based capitalist economy. The entire black majority supported trade unions in this struggle, even those within the emerging black middle classes. The struggle for basic trade union rights on the factory floor has been synonymous with the broader struggle for human rights in society. Apartheid, while visible as a form of institutionalised racism, was underpinned by an economic logic: the perpetuation of a super-exploitative cheap labour system. This system was implemented through the forced conquest of the indigenous African people, and the subsequent oppression of all black people thereafter. Extensive race-based exploitation then drove the development of a powerful industrial and mining economy. As part of this system, there was a clear need to ensure the denial of trade union rights to black workers (NALEDI:2001).

In the post-apartheid era, this race-based struggle is increasingly being reshaped as a class-based struggle against neo-liberalism. This struggle requires unions to develop a different set

of alliances and strategies. This includes the need to develop a stronger technical/ research capacity to contest the battle for ideas, and a strong democratic social movement unionism base to back such ideas with independent action. Adopted at the 8<sup>th</sup> National Congress of COSATU, the Federation committed itself to what has become known generically as the 2015 programme<sup>19</sup> and an Organisational Renewal Programme as key elements to ensure its continued survival and growth. These are discussed later in this section.

### **5.1 Main Characteristics of the Labour Movement**

The seven unions interviewed for this section are all affiliates of COSATU, the largest trade union federation in South Africa. COSATU was launched in 1985 after four years of unity talks between unions opposed to apartheid and committed to a non-racial, non-sexist and democratic South Africa. COSATU immediately emerged as the most powerful union force in the country, representing most unionised workers in the country. The birth of COSATU gave more impetus to the struggles against economic and racial oppression of the black working class. It soon became the most organised and powerful anti-apartheid force within the country. Employers, and whole sectors, that promoted and benefited most from the apartheid logic were first to be targeted by massive joint worker - community actions. Apartheid increasingly became less enticing and profitable for employers. The gradual loss of employer support doomed the increasingly unstable apartheid system to failure.

In order to show its commitment to democracy and freedom, COSATU joined the broad front of the anti-apartheid forces. In 1991, when popular political organisations were unbanned, the ANC, SACP and COSATU agreed to work together in a Tripartite Alliance to advance and pursue a programme of socio-economic reconstruction and transformation. This programme manifested itself in the Reconstruction and Development Programme (RDP), initially drafted by labour, and later to become the ANC 1994 election manifesto.

Since 1994, COSATU has been centrally involved in shaping the transition from apartheid to democracy. It has submitted numerous policy proposals into the new governance processes, and has often had to engage in independent action to back its class agenda.

Since the advent of political democracy the debate has focused increasingly on economic transformation. Here the underlying economic logic of apartheid has remained essentially unchanged or unchallenged. The domestic monopolies have instead moved quickly to garner maximum support among the growing ranks of black middle-classes, including many within the Tripartite Alliance. Their goal is simple: secure a transformation from an abnormal apartheid economy (with massive racial exploitation) to a normal capitalist economic (with massive class exploitation). Thus with the co-option of the leading black elite into their number, any moves to fundamentally alter the exploitative base of the economy can be forestalled (NALEDI: 2001).

The contestation over economic policy has been heated and, at times, bitter. The more conservative with the governing Tripartite Alliance, often with one eye on their future career trajectories, have argued that global realities preclude major State interventions in the economy. Such interventions would disrupt the “efficient” markets, and send the “wrong signals” to international investors. These conservatives instead argue that correct approach is to use the markets, even the grotesquely distorted ones of South Africa, to further the goals of reconstruction and development. This approach is predominately premised on building “business confidence”, and therefore fundamentally steers clear of challenging underlying exploitation and contradictions.

---

<sup>19</sup> The full title is “Consolidating Working Class Power for Quality Jobs – Towards 2015”

This approach, fought strongly by unions though with uneven success, has seen the introduction of the standard structural adjustment programme policies. The consequence of these policies has been massive job losses in the economy. According to research conducted by the Department of Labour, trade union membership has declined by 12% in 2000 and now represents 69% of the 4.9 million workers in registered, non-agricultural employment. The 2003 Secretariat report tabled the first decline in membership of the Federation since its formation (even with the additional membership influx from new union membership of over 70,000, the federation membership declined by almost 34,000 to 1,771,300). This threatens the strength and ability of the federation to pursue its historical mission – taking forward the struggle to transform the economy in favour of working people and the poor.

COSATU faces enormous challenges as a result of the often neo-liberal restructuring taking place in various sectors of the economy. In taking forward a struggle to reconstruct the economy COSATU is building a social movement union approach. This approach includes mobilising and building alliances with civil society organisations around common issues of national concern. These alliances supplement the labour movement's more contested alliance with the ANC (which also includes a powerful capitalist formation).

**Table 31: COSATU membership 2000 and 2003**

<b>Membership by affiliate, 2000 and 2003</b>					
<b>Affiliate</b>	<b>Membership</b>		<b>Change</b>		<b>% of COSATU members, 2003</b>
	<b>2000</b>	<b>2003</b>	<b>Number</b>	<b>Per cent</b>	
NUM	290 100	299 500	9 400	3%	17%
POPCRU	70 600	75 900	5 300	8%	4%
SACCAWU	102 200	107 600	5 300	5%	6%
SADNU	8 100	8 700	600	7%	0%
NEHAWU	234 600	234 600	0	0%	13%
<i>Sub total</i>	<i>705 700</i>	<i>726 300</i>	<i>20 600</i>	<i>3%</i>	<i>41%</i>
FAWU	119 300	85 100	-34 200	-29%	5%
NUMSA	200 000	174 200	-25 800	-13%	10%
SATAWU	103 200	79 300	-23 900	-23%	4%
SACTWU	119 900	110 200	-9 700	-8%	6%
CEPPWAWU	73 700	67 200	-6 600	-9%	4%
SAMWU	119 800	114 100	-5 700	-5%	6%
CWU	35 000	29 300	-5 700	-16%	2%
SASBO	63 000	58 700	-4 400	-7%	3%
SADTU	218 700	214 900	-3 900	-2%	12%
SASAWU	18 000	14 600	-3 400	-19%	1%
PAWE	2 600	400	-2 200	-86%	0%
SAAPAWU	22 200	22 000	- 200	-1%	1%
SAFPU	400	200	- 200	-51%	0%
<i>Subtotal</i>	<i>1095 900</i>	<i>970 100</i>	<i>-125 800</i>	<i>-11%</i>	<i>55%</i>
DENOSA	n.a.	70 000	70 000	0%	4%
SAMA	n.a.	4 200	4 200	0%	0%
MUSA	n.a.	700	700	0%	0%
RAPWU	3 500	n.a.	-3 500	-100%	0%
<i>Subtotal</i>	<i>n.a.</i>	<i>74 900</i>	<i>71 400</i>	<i>0%</i>	<i>0%</i>
<b>TOTAL</b>	<b>1 801 600</b>	<b>1 771 300</b>	<b>-33 700</b>	<b>-2%</b>	<b>100%</b>

As discussed at length in the Organisational Review Report, job losses in the formal sector explain most of the decline in membership in the past few years. Still, as the following table shows, there may have been a decline in COSATU membership compared to employment as well.

Source: COSATU Secretariat Report: 2003

**Table 32: COSATU sectoral membership, 1997, 2000, 2003**

<b>COSATU membership relative to employment, by sector<sup>1</sup></b>				
Scope	Union	Density		
		1997	2000	2003
<b>Private sector</b>				
Agriculture	SAAPAWU	4%	3%	3%
Retail	SACCAWU	13%	11%	12%
Chemical, wood, paper	CEPPWAWU	23%	18%	15%
Financial	SASBO	32%	32%	31%
Metal industry	NUMSA	48%	48%	42%
Mining/construction	NUM	38%	45%	45%
• <i>Mining only</i>	NUM	65%	69%	72%
Food processing	FAWU	74%	62%	46%
Clothing and textiles	SACTWU	70%	53%	52%
Transport and communications	CWU and SATAWU	55%	63%	54%
<b>Total private sector</b>		<b>30%</b>	<b>28%</b>	<b>26%</b>
• <i>Without agriculture</i>		<b>36%</b>	<b>35%</b>	<b>32%</b>
<b>Public sector</b>				
Police and corrections	POPCRU	29%	45%	46%
Local government	SAMWU	45%	55%	51%
Education total	SADTU	32%	52%	52%
• <i>Educators only</i>	SADTU	37%	63%	57%
Public service except police, Corrections and education	NEHAWU, DENOSA, SADNU, SAMA	60%	78%	77%
<b>Total public sector</b>		<b>43%</b>	<b>61%</b>	<b>60%</b>
<b>Private and public health</b>	DENOSA and SADNU	n.a.	18%	n.a.

**Note:** 1. Figures for employment by sector do not include the informal sector. Figures for union membership derive from reports to COSATU. **Source:** For the private sector, Statistics South Africa, Survey of Employment and Earnings, long-term data series. Downloaded July 2003 from [www.statssa.gov.za](http://www.statssa.gov.za). For the public sector, departmental reports and budget votes. For health, the South African Health Review 2002.

The largest losses in membership in the past three years occurred in the private sector, largely in manufacturing. As a result, private-sector unions dropped from 70% to 67% of COSATU's membership between 2000 and 2003.

**COSATU membership by sector, 2000 and 2003**

	2000	2003
Manufacturing and farm workers	30%	26%
Health and public administration	14%	19%
Mining	16%	17%
Education	12%	12%
Private services and retail	10%	9%
Local government	7%	6%
Transport and communications	8%	6%
Police and corrections (public sector only)	4%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Overall, COSATU now represents around a third of workers in the private sector outside of agriculture and domestic labour, and about two thirds of public-sector workers. In the long run, the only way to stem membership loss is to fight for job creation and to increase membership density, especially in the formal sector.

Source: COSATU Secretariat:2003

Some of COSATU's recent, and ongoing, national campaigns include the following:

***The People's Budget*** – Despite a Constitutional requirement that Parliament have the powers to amend the budget, a law to give Parliament this power had not been passed since 1994. This meant that unaccountable bureaucrats in the Department of Finance could draft a budget and force Parliament to either accept all of it or reject all of it (which they are never likely to do). In practice, then, the nature of the budget process renders both consultation with civil society and deliberations by elected people's representatives meaningless – since neither can effectively change the budget. In response to this frustration, COSATU, the National NGO Coalition, and religious organisations developed a People's Budget campaign, effectively a social movement to increase pressure for economic democracy.

***Social security*** – This social movement campaign, once again led by COSATU, forces its demands on the state. It brings together the same coalition of the People's Budget (and is thus a linked campaign), but extends to all those groups and institutions that are focused on delivery to and advocacy for poverty relief and social services. The campaign uses the advances afforded by the South Africa Constitution's socio-economic Bill of Rights to leverage further advances. Key among the social movement collective demands is the call for a non-work related basic income grant. This grant would go to all people in the country regardless of whether one is employed or not, and would reduce poverty by 75%.

***Job creation and retention*** – A 'Crush poverty, create quality jobs' campaign has been launched as part of a wider civil society campaign. A vibrant and effective strategy of social movement unionism is emerging, building coalitions with NGOs and religious organisations to form a powerful social formation block to pressure for different policies.

***HIV/ AIDS and MNC's*** – Perhaps the most famous recent social movement victory is the victory over global pharmaceutical industry. Thirty-nine of the largest pharmaceutical multinationals in the world took the South African government to court to stop them implementing an Act that aimed to make it possible to provide the sick and poor with cheaper medicines. The legal battle, which lasted three years, came to a head in 2001. COSATU and AIDS NGOs, as part of a wider social movement, created a massive local and international campaign against these MNCs on the banner of "Putting people before profits". The campaign showed the country and the world that these drug companies, whose legal steps had contributed to 400 000 unnecessary AIDS deaths, made sales of \$315 billion – more than the gross domestic product of all southern African countries. Under growing pressure the key MNCs withdrew, and their case collapsed.

***Stop privatisation*** – Government, under pressure from capital, has sought to accelerate the privatisation of state functions and assets. Much of this has been based on an ideological assumption that the "efficient" private sector can naturally deliver basic services better than the "inefficient" public sector. However, the experience has been that the services have become exceedingly expensive and those unable to pay are cut off. Importantly, government has relied mostly on the self-interested advice of international consultancies despite there being no credible cost-benefit analyses showing benefits to the poor. However, once started, privatisation is proving to generate a logic and self-interested support base – and forcing labour to take a very strong stand in opposition. The two-day COSATU national stayaway against privatisation attracted considerable support from civics, religious, NGOs and student movements.

## 5.2 Main characteristics of organisational change in the unions

This section looks at the main efforts of the unions examined in the study, to embark on a process of organisational renewal, in line with COSATU's overall organisational renewal plan. COSATU believes that the environment in which it operates has changed, which has implications for the federation's internal organisation, priorities and strategies. At the same time, most workers still see COSATU affiliates as their home. Moreover, as the strongest popular organisation in the country, COSATU remains critical in giving a voice to the working class as a whole. In these circumstances, the renewal process should enable COSATU to work consciously with changes in the environment, rather than reacting spontaneously and piecemeal or having change imposing itself on the federation in a manner that threatens the federation's traditions and organisational culture (COSATU: 2003). The organisational review process has identified the following as critical challenges:

First, COSATU's basic principles remain unchanged. These principles include the commitment to worker control and promotion and defence of internal democracy, militancy, solidarity, and broadly to a transformative union movement dedicated making a difference in the shop floor and broad social change. Three further principles are industrial unionism, with one union one industry, paid-up membership and international solidarity. Second, the transition to democracy has brought both complex political challenges. There has been a dramatic increase in policy engagement. COSATU needs to engage on a range of policy issues in defence of workers and the poor. There has been a general decline in popular mobilisation, which was long an important basis also for union militancy. But it also permitted a massive increase in union membership in the public sector. Third, as noted in the previous section, economic restructuring has seen job losses and rising unemployment on a mass scale. As a result, major affiliates have lost members, and growth has levelled out in the public sector. In both the public and private sector, restructuring has placed a host of burdens on individual unions. Finally, the new labour relations system requires new competencies from union leaders and shopstewards.

## 5.3 Interviews with affiliates

Interviews were held with seven unions representing the various sectors. These union interviews were as follows:

Union	Sector
NUM	Industry - construction
NUMSA	Industry - manufacturing
CEPPWAWU	Industry – chemicals
SACTWU	Industry – clothing
SATAWU	Transport
SAAPAWU	Agriculture – primary agriculture
FAWU	Agriculture – agro-processing

### *Interview Findings*

Interviews were conducted according to a questionnaire drawn up by NALEDI. The responses of the unions are grouped according to the union involved and supplemented with some additional information.



## **NUM**

NUM felt that it comprised the largest and strongest union in its sector, with 56 000 paid up members. The next rival union (BCAWU, a NACTU affiliate) has only 10 000 members. NUM entered into the construction sector in 2000 when it merged with CAWU. NUM officials feel that its main role in the sector is to challenge the movement of the industry towards casualisation. The national bargaining council has collapsed, and some of the gains that were achieved within this structure have been lost. However, agreement has been reached to set up a bargaining council in the civil engineering sector (the other sector being building).

NUM's agenda for 2004 is to increase its level of representation. They want to triple their membership within Construction. Another item is to move ahead with the Construction sector summit that will be negotiated at NEDLAC. They also want to create a separate discussion forum for general stakeholder interaction, in the same way that the mining sector has done. Currently the Construction Industry Development Council is the primary industry forum for the sector. The Construction Industry Development Board (CIDB) was established as a statutory body to provide leadership to stakeholders and to stimulate sustainable growth, reform and improvement of the construction sector for effective delivery and the industry's enhanced role in the country's economy.

The Board, which is responsible to the Minister of Public Works, comprises private and public sector individuals appointed by the Minister on the basis of their individual knowledge and expertise. The CIDB's mandate is to provide strategic leadership, promote sustainable growth, promote improved performance and best practice, promote improved procurement and delivery management, and develop methods for monitoring and regulating the performance and registration of projects and contractors.

Labour and NUM in particular have been experiencing a number of problems with regard to the CIDB. The Board places little emphasis on the importance and role of labour, this is further evidenced by the fact that there is no labour representative on the Board.

The CIDB is working on the following projects at present, all of which Labour should have a voice on:

- A draft code of conduct for all participants engaged in construction procurement.
- Construction Registers Service which is a Register of Projects and a Register of Contractors.

The infrastructure delivery toolkit for the public sector.

- Construction Industry Stakeholder Forum
- The Draft Construction Sector Summit Proposal
- Procurement Best Practice and Job-Creation through Labour-based Works.
- HIV/AIDS Programme

Within the labour movement, NUM participates in NEDLAC as part of COSATU, however, NEDLAC is seen as too generic, with broad initiatives, this is why NUM would like to set up a discussion forum in the sector, the transformation of the CIDB could be one way to pursue this.

NUM's relations with other unions in the sector are good, but ad hoc. NUM co-operates in regional bargaining councils where they exist.

Internationally NUM is affiliated to the IFBWW and ICEM.

Membership is seen as growing well, with project based members coming on board. NUM is organising amongst workers with limited duration contracts, in the construction sector.

A number of recruitment challenges were identified:

- The need to recruit casual workers
- The challenge created by Black Economic Empowerment, in that it promotes subcontracting. Firms decide on subcontracting and then subcontract to BEE firms to increase their BEE ranking. However the tenders are often linked to local employment, so the employment created is temporary and the newly subcontracted workers are retrenched.
- Minimum standards in the industry are often ignored by employers

Organisational challenges included:

- HIV/AIDS; A partnership has been formed with Belgian unions to tackle this issue.
- Pension funds in the building industry need to be consolidated
- Racial transformation in the sector is very slow
- Capacity needs to be built within the union, especially capacity to engage the big firms on their boardroom decisions.
- Companies are seen as not training workers, in spite of the presence of a Construction Education and Training Authority (CETA) and the SDA
- Shop stewards need to be further skilled to handle union affairs

NUM believes it plays a role in shaping national labour policy because it has capacity. The union's leaders are seen to be experienced and able to comment on legislation. It is not clear to what extent construction, as a sector, has been integrated into the core business of the union after the merger with CAWU. What is clear is that service levels to and organisation of construction workers has improved as a result of the merger.

The union has contacts with other civil society players, but nothing ongoing. A strong link has, however, been formed with the Women in Construction organization and this is one area where programmes need to be developed further.

NUM sees various opportunities in the future. Construction is seen as central to infrastructural development efforts and should benefit from expansionary Budgets as well as the Government's recently announced Expanded Public Work's Programme. Unlike other NUM sectors, construction is seen as a growing industry, whereas the energy and mining sectors are shedding workers. The sector summit is also a platform where the NUM is hoping to address some of the key problems it has identified in the sector.

Challenges in the future are seen as the ongoing, the informalisation of the sector, especially in the Building industry and the need to alter perceptions of construction work. NUM feels this kind of work is seen as only for unskilled workers. Another challenge is to develop a union approach on the increasing amount of work undertaken by South African construction companies in the rest of Africa.

Enforcement of legislation remains problematic in this sector. Often, employers do not want to meet the conditions of service laid down in legislation. NUM argues that employers also try to avoid severance pay through casualisation. Within the union a key challenge is to ensure that the union representatives in the regional offices are capacitated. Union staffing levels are linked to membership, which can undermine recruitment drives because the extra staff can't be hired until more members are recruited.

### **NUMSA**

NUMSA is the second largest union in South Africa. It is the biggest in the manufacturing sector. It sees its role as defending workers interests and integrating workers fully into the economy. Conditions of service have to be increased, along with salaries, training and skills.

Skills have to be made portable. The union must help grow the industry, and protect it from macro and micro-economic policies that may harm it.

The NUMSA agenda for 2004 is to hold its national Congress in September, and revisit then the relevance of the three-year bargaining strategy. Currently the union is engaging in a major research project to determine the continued relevance and impact of this strategy. The impact of the research and the decisions that come out of the Congress cannot be underestimated in terms of the potential impact on the union. The challenges of globalisation have to be identified and met and NUMSA engages with these on a number of fronts. One such front is through the negotiating of industrial strategy through Sector Summit processes. NUMSA would like to conclude the metals and engineering sector summit and automotive sector summits in 2004. Currently these processes are at NEDLAC, in a pre-negotiating workshop phase. Some of the main areas that are set to be negotiated relate to input costs, import parity pricing, procurement and the Proudly South Africa initiative, investment, trade and job creation. Within the automobile sector, the issue of vehicle affordability is an additional area for deliberation. Finally, NUMSA will be assisting in mobilising workers for the April 2004 elections.

NUMSA has a working relationship when necessary with Solidarity, which is a mainly white union that represents artisans and skilled workers. This is merely an ad hoc relationship as the interests of the unions remain different.

NUMSA is an IM Federation member and has a relationship with the UAW, the US metal workers' union.

In terms of membership, NUMSA came out of a difficult period in the early-mid 1990's when rapid restructuring of the industries it organizes in led to job losses, particularly amongst its membership base within the semi-skilled workers. Between the last COSATU Congress and the one held last year, NUMSA lost almost 26,000 members. According to the union, membership is now relatively stabilised, with autos static and engineering only decreasing slightly. The Union has recently negotiated an agreement in the Metal and Engineering Bargaining Council that it hopes will see some of its membership that were lost through a process of outsourcing being reabsorbed into the union.

A number of recruitment challenges were identified:

- Recruitment of atypical workers (casual, sub-contracted and temporary)
- Recruiting the 'new type' of worker, one who is highly skilled, and not dependent on the union.
- White workers are still not joining NUMSA
- Stemming the loss of members through outsourcing

Organisational challenges include:

- The ongoing drive to be financially secure
- Human capacity levels are overstretched
- Very little domestic funding can be found in South Africa to assist unions
- Organisers are losing workers dispute cases because they are overstretched
- The need to step up recruitment, as part of the organisational renewal of both NUMSA and COSATU.
- Local structures are suffering due to the issues listed above

One of the strengths of NUMSA in shaping national labour policy is the use of forums. Another is that it can draw on COSATU's structures for additional support. NUMSA has been able to make inputs into BEE, procurement policies, and the sector job summit process.

NUMSA has social dialogue with NGO's and CBO's and sits on a few committees with them, as well as business. Sometimes this results in caucusing to present a united front on issues.

Opportunities for the future are seen as including possible growth in the industry, as well as the benefits brought by recruitment campaigns. Challenges to the union include the possible shrinking of the manufacturing sector, the further rise of atypical employment and a reversal in the social gains already made.

Internal challenges include addressing capacity constraints, internal administration issues and finding funds. Membership must be increased to keep the union's strategic momentum going while at the same time preserving internal democracy.

We describe below the union's approach to organisational renewal as a key component to its continued efforts to grow membership and improve service.

### **NUMSA**

NUMSA's Organizational Renewal Project is currently at an implementation stage. However, work across regions is uneven, and the task now is to support three regions that are involved with piloting the new model of operations. The union is releasing officials either on fulltime or part time to implement aspects of the Programme. In some cases external support is also utilized, for example DITSELA (labour training institution). Overall, NUMSA has seconded one of its officials to drive and co-ordinate the programme (COSATU:2003).

***Project 1. Rebuilding and restructuring locals:*** The goal is to develop a model of a future local that can meet the challenges facing the union at this level. Actions in this regard include a survey to inform the union on status of the union today, type of companies, their location, membership, locals per region and type of membership per local, and to review the national operation that influence the running of the regions and locals. So far three pilots have begun to look at restructuring the locals by centralizing the service of our members to the regional office. Locals would remain the hub of constitutional activities, advice and Information centres for members and shopstewards.

***Project 2. Consolidate and sharpen organizing and collective bargaining:*** Tasks in this area include in-depth research, which has already begun, on the three-year collective bargaining strategy; building the capacity of national sector co-ordinators; research to back up to the regions and build capacity of the regional organizers, development and integration of the campaigns programme, rebuilding the bargaining structures and preparing for the National Bargaining Conference.

***Project 3. Strengthen leadership and management structures:*** Build leadership capacity to manage the Union, rebuild and strengthen the union systems and procedures, and develop guideline booklets for staff and policies. A draft booklet was produced in late 2003 that covered systems, procedures, policies adopted and proposed amendments for the Central Committee.

***Project 4. Renew the membership system and financial management:*** Upgrade membership systems to be able to detect changes in membership, track payments by companies, and take corrective measures without delay. The data capture for this purpose is already almost completed. The project also includes a feasibility study by KPMG to determine financial sustainability in the next five years.

**Project 5. Review membership benefits:** Investigate what additional benefits can be offered to members at least cost. Work on this project had stalled but an official has now been appointed to take it forward.

**Project 6. Renew staff development programme:** A long-term staff training programme has been developed. This is accompanied by a draft document on skills requirement for each category of staff. NUMSA is in the process of aligning staff condition of employment.

**Project 7. Information/communication campaigns to inform members:**

Inform members and encourage their input on a variety of issues. To that end, NUMSA is revising its internal communication strategy.

### **SATAWU**

SATAWU is the biggest union in the transportation sector. The other unions are UWASA and FATATU.

The union sees its role in the sector as one of improving wages and working conditions, whilst interfacing with government on policy matters. Examples of policy issues would include infrastructure and privatisation.

SATAWU's agenda for 2004 includes ongoing discussions with government on the future of Spoornet, the state rail operator, and the issue of ports restructuring. Within the bus industry the union is focusing on competitive tendering, and on the extension of the bargaining council in the bus industry. In the taxi industry it is focusing on a membership drive and the setting of a sectoral determination for wages. Commuter safety in passenger rail, wage negotiations in road freight and the establishment of a bargaining council for the aviation industry complete the agenda for 2004.

SATAWU works together with other unions such as TAWU, UTATU and UWASA when it comes to policy and bargaining discussions. Internationally it is active in the ITF, and the SATAWU General Secretary is the Vice President of the IFF.

Currently the union says that membership is static, with retrenchments balanced out by recruitment. The COSATU Congress held last year, however, saw the union report a significant decline in membership from 103,200 members in 2000 to 79,300. More worrying is that this reflects a decline in density by 9%. The union will need to grapple with this fact through its Organisational Renewal Process and through improved recruitment and retention of members.

A number of recruitment challenges were identified:

- The ongoing restructuring of the sector, with merges and outsourcing occurring
- Ongoing organising within the arena of labour brokers and outsourced workers.
- The increase in labour brokers and outsourced workers means that the bargaining council gets fragmented.

Organisational challenges include:

- A lack of computers and communications equipment
- High telephone call costs
- A lack of media resources
- A need to stabilise finances. To this end a new treasurer and finance officer were recently appointed. They are managing to organise the finances more effectively and establish systems of processing of subscription fees.

SATAWU sees its ability to offer input into the debates around the minimum conditions of service in the taxi industry as vital. The union also policy oversight capacity through its policy research. The union gives input either through COSATU's parliamentary office or directly to the Department of Transport and the transport portfolio committee.

Participation in social dialogue is perceived to be on an ad hoc basis although the union, along with NALEDI as technical adviser, was able to score a major coup in 2001 when it was able to successfully block the privatisation of profit-making railway lines of Spoornet by developing a strong counter proposal to that of international consultants.

SATAWU sees potential for organising un-unionised workers in its sectors. A large number of workers remain unreached. The taxi industry could also provide a large number of members.

Future challenges to the union include further privatisation, deregulation and outsourcing.

The greatest internal challenges facing the union are mainly financial. The human resources capacity of the union is also threatened by skilled staff being poached by the private sector, and officials dying of HIV/AIDS.

The union's strengths include a culture of tolerance, with little factionalism. Although the union went through a fairly difficult merger, the culture of tolerance has helped to settle the merger. An open approach to difficulties is adopted. Another strength is the presence of a number of long term officials. This has allowed SATAWU to retain its institutional memory.

As part of its Organisational Renewal programme, SATAWU intends to evaluate the whole organisation on a global basis and re-position it to respond to new and changing political and organisational conditions. To this end, the SATAWU CEC in 2002 established an Organisational Review Committee (ORC). The ORC was headed by the first deputy president, and comprised all regional chairpersons plus the general secretariat. The key mandate of ORC was to produce a draft report to the CEC in April and a final report to Congress in August 2003.

The committee met three times since its establishment but was not able to finish its work. The focus of ORC is currently on the constitution. The constitution is seen to require too many structures and too many meetings. At the same time, efforts are being made to maintain the principles of democracy, worker control, effective access to structures and quality service. Recommendations were presented to CEC in late 2002 on constitutional amendments. They were debated during 2003 (COSATU:2003)

### ***CEPPWAWU***

CEPPWAWU is the largest union in the chemical, wood, paper and furniture sub-sectors. However it does not play a significant role in the furniture sub-sector.

It sees its role as one of representing members, organising in the sub-sectors, and participating in the Chemical sector SETA as well as NEDLAC. Furthermore it would want to encourage the growth of the sector and of jobs within the sector.

The CEPPWAWU agenda for 2004 includes wage negotiations, holding a national bargaining conference in February and assisting in mobilising workers to vote in the national 2004 elections.

CEPPWAWU has working relationships with other unions in the sector, such as UWASA, SACWU and Solidarity. They are seen as partners in the national bargaining council, founded in 2002.

International affiliations include IChem, UNI and FBWU.

Membership is seen as falling, due to retrenchments, outsourcing and casualisation. A recent drop in membership came as a result of a split, where by the Wits region broke away

to from an independent union – GIWUSA. Prior to this split, the union had experienced a 9% drop in membership from the 200 to the 2003 COSATU Congress.

A number of recruitment challenges were identified:

- The drive to recruit amongst casual and outsource workers. This is bearing fruit as the union was forced by the amount of contracting at SASOL1 to start recruiting such workers.
- There has been a lot of resistance to this by labour brokers

Organisational challenges include:

- The need to maintain a stable membership
- The need to offer members a quality service
- Human resources and finance are spread very thin
- The establishment of a revised subscription collection system. CEPPWAWU has contracted this out to a private company and it seems to be working very effectively.

The union sees itself as playing role in shaping national labour policy through its participation in NEDLAC structures. It is also heavily involved in the ongoing restructuring of the plastic bag sub-sector, due to the implementation of environmental regulations.

CEPPWAWU engages in social dialogue with other civil society players, but through COSATU as an intermediary. Only if CEPPWAWU is the sole union in a community does it then get involved in community issues.

Opportunities for CEPPWAWU are the chemical sector projects announced by government, such as Coega and Secunda. SMME growth is also seen as being of future benefit to the union.

A challenge in the future for the union is the drive by COSATU to create super-unions, as this might involved CEPPWAWU being absorbed by a bigger union in the metals and mining sectors (such as NUM or NUMSA). This form of clustering of these sectors occurs in unions internationally.

Internal challenges facing the union include addressing the sort of issues that led to the Wits region breakaway. The union has to manage different internal political tendencies.

However, the strength of CEPPWAWU is seen as the fact that it has been five years since the creation of CEPPWAWU through a merger between CWIU and PPWAWU, and no national problems have arisen. The merger has been successful. This stability is interpreted as dependent on members remaining satisfied with the services offered by CEPPWAWU.

As part of its Organisational Renewal Process the union plans a comprehensive review of the structures, policies and culture of CEPPWAWU was undertaken in 2003. An Organisational Development Committee was established, headed by the General Secretary but the process stalled due to lack of funds. In 2002, the Secretariat developed a discussion document, which was adopted by Congress. In 2003, the Organisational Development Committee was revived to drive the organisational review process. While the process is at its infancy a number of changes have been implemented.

### ***SACTWU***

The union is the biggest in clothing and textiles, but a minority in the leather sector (which is mainly organized by the NULW).

It sees its role as that of organising and defending workers rights, whilst at the same time challenging attacks on employment in the sector. It also is involved in industrial restructuring debates and negotiations in the sector. A further role is in the establishment of industry development and coordination structures.

The core agenda for 2004 was set at the last national congress. The key objectives are to save jobs in the industry and maintain current levels of membership.

The relationship with other unions in the sector is one of high rivalry.

Internationally, SACTWU is affiliated to the ITGLWF.

SACTWU membership is expanding slightly.

A number of recruitment challenges were identified:

- The high rate of job losses in the sector, which has led SACTWU to introduce permanent recruitment capacity and planning.

Organisational challenges include:

- Coordination, in order to build more staff capacity at head office level.
- Upgrading of the union's ICT resources.
- Upgrading of the general trade union media, such as newspapers.
- More staff and shop stewards to be capacitated in the leather sector
- A strong campaign to establish a development forum for the industry

SACTWU participates in shaping national labour policy by playing a key role in NEDLAC and the International Labour Organisation (ILO). The SACTWU General Secretary is the overall NEDLAC labour coordinator and the South African labour representative to the ILO governing body.

The union has relationships with other civil society roleplayers and with government nationally and provincially.

SACTWU sees opportunities in the future, but feels that these will be very difficult to achieve in the context of globalisation and the ongoing levels of job losses in the sector.

Future challenges include further impacts and job losses from the reductions in tariff levels and the strong Rand. If the recruitment rate is not kept up, union membership and influence will dwindle.

Internal challenges for the union include a need to radically upgrade staff skills, shop steward skills, and resources in the area of 'new unionism' – namely macro-industry negotiations and institution management.

The greatest strengths of the union are that it has a united staff and shop steward constituency, relatively stable finances and a good programme of action.

Since 1999, a deep process of organisational review has been in place. This consisted of the following elements. An annual census of the union has been introduced, in which information is gathered across a range of categories and a comparison is made both over time and between regions and this document is presented to the Executive Committee for comment and discussion.

In addition, an annual staff skills audit is conducted. This was first introduced two years ago. NEC meetings have been restructured to build in a policy review session, typically with an external speaker, and to have a strategic agenda that is developed over a cycle of three meetings. This means, for example, that an education report will be tabled once a year at a particular NEC, but that it would be a substantial report with sufficient time set aside for



proper discussion, rather than a report that is submitted purely for formality of complying with an agenda item.

A strategic budgeting process was introduced. In 2001, at the National Congress, a detailed programme of action was also adopted, which sets out the framework for all union activities for a three-year period. This allows SACTWU to systematically plan month-to-month activities within a policy framework adopted at Congress. A strong recruitment drive, now called Project Membership (initially called Project 30 000) was launched, to shift significant resources to recruitment of workers in the industry and in the non-metro areas where industry has shifted to. SACTWU put R1 million into a special recruitment campaign, to reverse the tide of membership loss. In 2001, a requirement was introduced for all staff to produce detailed monthly reports, covering past activities, plans, and objectives for the next month, was introduced. The report is measured against the strategic objectives of the organisation (such as membership growth).

### **SAAPAWU**

SAAPAWU is the biggest union in the primary agricultural sector.

SAAPAWU plays a significant role in the sector in providing information on working conditions, and intervening in labour disputes. Working conditions in the sector are very poor, requiring SAAPAWU to be active in the sector.

SAAPAWU's agenda for 2004 is to restructure the organisation through an organisational review to deal with the challenges involved. Another goal is to work closely with FAWU on the proposed integration, which will be completed in 2004. Further tasks will be to move towards a living wage campaign in the sector, in the context of a drought and a strong Rand. Another issue is requests by employers for exemptions in terms of minimum wage in the sector. Finally the union would like to see transformation advances in the sector.

SAAPAWU maintains close relations with FAWU in the sector. International linkages are maintained with the IFBWW, the IUF and ZINTAF in Mozambique. Bilateral relationships are also maintained with the Plantations Workers' Union in Kenya's tea sector.

SAAPAWU sees its membership as static, but with previous administrative problems in capturing and assessing membership, it is difficult to be certain of current levels. The monitoring system has been unable to effectively capture subscriptions.

A number of recruitment challenges were identified:

- Recruitment in the sector is volatile, due to poor growth, seasonal work and ongoing retrenchments. This has hampered the collection of membership subscriptions, and therefore the ability to recruit further.
- Farmers often bank the subscriptions during infrequent trips to town, creating a lag in recording of membership and receipt of fees.

Organisational challenges include:

- Members dues are too small to provide stable financial resources for the union, due to the very low wages paid in the sector.
- Organisers' costs are very high due to the remote nature of many farms, which necessitate the hiring of vehicles, and the long distances involved.
- Many farm workers wish to join, but are often dismissed by their employer when the employer finds out that the workers have joined the union. The workers then expect SAAPAWU to fight on their behalf, but they have not yet been able to pay fees, so

resources do not easily exist to defend such cases. This then discourages other potential members from joining.

- Donor funds are often not flexible enough to be utilised for such legal actions. However, the existence of such funds allows SAAPAWU to reach a much larger number of potential workers.
- Financial constraints are therefore the biggest challenge, followed by human resources.
- Organising is also difficult, due to the lack of computers.

SAAPAWU has been involved in the NEDLAC discussions around the sector. SAAPAWU is one of very few voices that are able to speak up for farm workers in such fora.

The union maintains links with NGO's and CBO's such as the Landless People's Movement, the Centre for Rural Legal Studies and the Labour Research Service. An NGO called Inkhonsi assisted SAAPAWU in a recent landmark defense of farmworkers right to the sectoral determination.

SAAPAWU sees the merger with FAWU as providing an opportunity to play a major role in the sector and defending workers.

Challenges for the union in the future include moving land reform forward so that poor farmworkers can also benefit, the implementation of the minimum wage, protecting land tenure rights and defending workers against external entrepreneurs who sell the farms and evict farm workers. A further challenge is to be included in the discussions between government and big agri-business

Strengths of the union include its affiliation to COSATU, the desire of farm workers to become members, and the existence of very good organisers in some areas. The existence of outside funders such as SiD also provides valuable assistance.

### ***FAWU***

FAWU is the largest union in the agro-processing sector, and the largest in the agricultural sector overall. The NACTU and FEDUSA unions in the sector are much weaker and smaller.

FAWU sees its role as promoting job creation and retention. It is involved in policy debates around strategies to create jobs, improve wage levels, and improve working conditions. FAWU also seeks to establish bargaining councils in its sub-sectors.

The upcoming merger with SAAPAWU is a key item on the 2004 agenda. FAWU's agenda also includes job creation policy, progress towards the organising of an agro-processing job summit and issues relating to the role of retailers and wholesalers in primary production value chains. Food security, land reform, genetically modified organisms and the setting up of bargaining councils for food and beverages are also key issues. Finally, FAWU wants to keep the food security conference process moving through requesting follow on meetings. In addition, FAWU seeks to draw other stakeholders into agreement on a memorandum of understanding around human rights and labour rights issues.

FAWU has a relationship with the NACTU agro-processing union and cooperates during wage negotiations. FAWU also has relationships with the grain co-operatives, but these interactions are all merely issue based.

FAWU is affiliated to the IUF, the food, agriculture, tobacco and hospitality workers union. The FAWU President is currently one of the IUF Vice-Presidents.

Current membership is around 85 000 across a range of sectors. FAWU is looking forward to also focusing on farm workers, to continue the work performed by SAAPAWU in that sector.

A number of recruitment challenges were identified:

- There are often insufficient finances to mount large recruitment drives.

- Resources are needed to institute regular follow ups with new members.
- Membership used to be higher, but may have declined due to the inability of FAWU to offer support on an ongoing basis.

Organisational challenges include:

- Regional organisers cannot provide the levels of service needed due to cashflow problems which can affect hiring.
- Funds for training are scarce, this leads to capacity constraints.
- Capacity constraints also exist in policy analysis. FAWU needs to be able to retain skilled staff to analyse and influence government policy.

FAWU has been able to provide input on a number of recent bills, but it stretched their capacity to its limits. These were the liquor, and tobacco bills. Input was also made into the issue of food prices being too high.

The union maintains issue based relationships with NGO's, for example around genetically modified organisms.

Opportunities for the union in the future include recruitment possibilities in food manufacturing, and general agro-processing. Unionisation levels are below 50% in these sectors. Increased opportunities to retain members are also expected, as FAWU's own organisational processes are improved. The biggest opportunity is the merger with SAAPAWU, which will provide the new union with increased membership growth. Another opportunity is to utilise COSATU's organisational renewal process to acquire more technical skills.

Challenges to the union in future include the need to maintain organisational unity after the merger with SAAPAWU. Another challenge is to ensure that the merger does not lead to a loss of membership to other unions.

Internally FAWU wishes to improve its campaigns, and keep the confidence of its members up. Further challenges will be to keep up with trade and domestic policy issues.

FAWU strengths are that employers recognise that FAWU is effective and capable. FAWU's size is another strength, as is the fact that FAWU leadership have a good relationship with senior agricultural department officials. FAWU is also supported by a number of CBO's and NGO's around key issues.

FAWU has worked since 1997 to respond to the challenges arising from the new dispensation. It has restructured from five regions to eight. It now has a campaign to ensure that that the organizational renewal programme becomes a reality, revisiting all functions of the union, including structures, management, internal systems, education and finances. The process takes place through engagements and workshops with all structures, staff and worker leaders (COSATU 2003).

The process established principles to guide worker control and improved service to members, centring in large part on improving accountability, information flows and education. It included making visits to plants to improve services and ensure workers understand their role in making officials accountable. The decline of membership within the union is a great concern. The union's regions resolved:

- To develop a strategy and programme for recruitment, starting with collectives being formed with officials, worker leaders, staff and targeting one company for a week and recruiting members by distributing pamphlets, address workers on issues affecting

their daily lives and especially explaining their right to them and the importance to be unionised.

- To use general meetings to engage each other on issues affecting the workers.
- To set regional targets are set for growth, starting from 10% for the first year as there is great potential.
- That all structures, staff, organizers, shopstewards are to prioritise a massive recruitment drive.
- To drive agency shop agreements.

Overall, the union had a target of organising 50,00 members in the next year. This is vital for the COSATU affiliate that has suffered the most losses proportionate to its membership from 200 to 2003 (from 119,300 to 85,100).

In terms of constitutional structures, the review process found that meetings are generally in accordance with the Constitution, except where there are funding problems. However, officials tend to dominate meetings. It was therefore agreed that education needs to be prioritised. Staff should rather coach workers to take a lead. All the regional consultative workshops agreed that education is core to the development of the organization. They called for accelerating the

implementation of the union's two-year education programme; investing in shopstewards by taking them through a process of training from basic and monitoring their progress; strengthening existing education programmes; and improving staff development. Currently two bargaining councils exist. The union intends driving a serious campaign to put in place more councils (COSATU:2003).

FAWU is to merge with SAAPAWU during April this year. Currently discussions are under way to determine the practicalities of merging the two union's structures and staff.

## **6. Conclusion**

The unions in South Africa today face key challenges as addressed in this report. The struggles against apartheid capitalism have given way to new forms of struggle that are not always as clear cut as those of old. What are these key challenges that unions are addressing? The conclusion of this report addresses these.

### **Transformation of the Apartheid Workplace**

One of the key challenges faced by unions is the struggle to transform the apartheid workplace that, even after ten years of democracy, dominates South Africa's economy. Key here is to ensure that the spaces that have been opened up by legislation are taken advantage of. Workers skills need to have their skills developed, equity needs to be achieved in the workplace, health and safety legislation should be enforced as it never was under a regime that saw black workers as second class citizens.

However, unions grapple with the situation of trying to ensure that the progressive outcomes of legislation are not subsumed and disempowered by better resourced Human Resource machinery within companies. For example, how do unions ensure that skills legislation that was to benefit the historically disadvantaged isn't used to build the skills of elites and entrench their position? This often requires combined strategies, such as inputting on redrafting of legislation at NEDLAC and in parliamentary committees, but it also requires strong organizers and shop stewards who understand the legislation and are able to fight for the rights of members.

### **Defend Quality Jobs**

As has been shown, South Africa has undergone a protracted shrinking of the economy, followed by what can only be termed ‘jobless growth’. Within this environment the restructuring of enterprises and the increasing shift towards engaging more casualised and temporary workers is further undermining quality jobs. Unions are addressing this issue both at the workplace and in forums at NEDLAC and processes such as Sector Job Summits. A major issue within this struggle centers on resources to fund research and develop alternatives. Another issue is the capacity of union officials to counter management proposals around restructuring, a key issue for capacity building.

### **Building the Union**

All the unions we interviewed referred to the importance of organisation renewal. The process of organisation renewal is seen as vital if unions are to ensure their sustainability. The Organisational Renewal project is to be run across the federation and within affiliates. One of the key impediments to this process is expertise in the unions to ensure that political will is transformed into practical solutions.

### **Addressing HIV/Aids**

Across Affiliates the issue of HIV/Aids remains pertinent and will continue to grow in importance. Whether it is dealing with national health strategies, discrimination in the workplace or infections and illness of union staff, the spectre of HIV/Aids is set to increase over the next years. A better understanding of the potential impact of the disease and proactive measures to ensure progressive HIV/Aids policies are imperative.

### **References**

- Jenkins, C. 2001. New forms of co-operation and integration in emerging Africa: Integration and co-operation in southern Africa. OECD Development Center, Technical Paper 172.
- la Rocha, M. 2003. The Cotonou Agreement and its implications for the regional trade agenda in eastern and southern Africa. World Bank Policy Research Working Paper 3090.