

**Poverty alleviation through  
social dialogue:  
The role of trade unions in South Africa**

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## Summary

1. In view of the long-term paths needed for development in Africa, inclusive and democracy-building processes are important. In this regard, social dialogue has the potential to create spaces for relevant social forces to reach national agreements and agree upon consensus approaches.
2. The trade union movement is a powerful and well-organised social formation, around which other pro-poor formations can mobilise. This role is important in South Africa, and the rest of Africa, where formal employment may never become the norm like in Europe. There is thus a need for trade unions to build a more inclusive broad base.
3. Such notions of social dialogue in Africa, incorporating a broader base and therefore broader agenda, represent a necessary adaptation from the European notion of tripartite-based social dialogue.
4. A 'broad' social dialogue agenda should address the need for good developmental policies. This entails enhancing the positive dynamic interactions between formal, informal and communal incomes through greater income distribution to the poor; social protection measures for the poor; a pro-poor national budget and other good public policies that promote social efficiency. A broad-based social dialogue approach could make an important contribution to ensuring 'high intensity' popular participation in public policy, an essential building block of meaningful democracy.
5. Social dialogue requires that trade unions have a broad social orientation, and have the legitimacy, technical and organisational capacity and vision to sustain such an orientation. Failure to do so increases the danger of unions being co-opted through such social dialogue processes or of legitimising negative policies.
6. The Congress of South African Trade Unions (COSATU) represents 39% percent of the South African formal workforce, and 56% of all unionised workers. COSATU is connecting worker and community struggles as part of a broader social movement response to the need for socio-economic transformation and democratic governance.

## **1. Introduction**

### **1.1. The meaning of 'social dialogue'**

What is an appropriate concept of 'social dialogue' for South Africa today?

There are different interpretations of 'social dialogue' internationally, and many commentators are still trying to grapple with the meaning of the term. Firstly, social dialogue is often used to refer to industrial relations between employer and trade unions. In this case, the term has the same meaning as collective bargaining. Secondly, the term could refer to the process of exchanging information and viewpoints that may facilitate successful negotiations, but is not in itself negotiations. Thirdly, the term could be used to refer to institutional configurations designed to encourage positive-sum interaction. Fourthly, the term could refer to a normative orientation towards 'social partnership'.

For many, social dialogue is synonymous with the tripartite arrangements between government, trade unions and capital. This view is grounded in the experiences of European social democracies, where trade unions were brought into a social compact with capital underpinned by Keynesian government economic policies. Governments pursued full-employment policies and achieved economic growth, and had more space to reward a labour compromise. Trade unions were strong and representative of the workforce. Moreover, with economic growth and rising rates of profit, capital was generally supportive of these arrangements. This 'Golden Age', spanning the post-war period until the late 1970s, was undermined by the subsequent economic crises. Newly elected conservative governments departed from full-employment policies. Increasingly global corporations took a harsher stance towards national tripartite arrangements. Nonetheless, most of these social dialogue processes continue to exist and play an important role, although they are increasingly consultative rather than decision-making.

The first important difference between this traditional European approach and the South African approach is that in South Africa social dialogue does not imply the existence of a 'social partnership'. Such a social partnership between the working class and capital would have to be underpinned by a common vision for society. The trade union movement, with the Congress of South Africa Trade Unions (COSATU) at the helm, is socialist-orientated. Therefore, even though trade unions have led the way in establishing important national social dialogue structures in South Africa, these processes imply only an institutionalised exchange of views and possibly negotiations towards specific agreements.

A second important conceptual point relates to the tripartite mechanisms of national level social dialogue. The size and significance of formal sector employment is less in Africa than in Europe. Indeed, with changing labour markets and growing informalisation of employment, formal sector employment may never become the norm in Africa. Even in South Africa, with its relatively developed economy and larger formal sector, there is increasing recognition within the labour movement that much more needs to be done to build a strong voice for other broad organisations

that genuinely represent the interests of the poor. Nonetheless, tripartite approaches in South Africa, like in Europe, are the norm with the most important social dialogue processes seeking agreement between labour, government and capital. However, there has been a recognition that social dialogue needs to go beyond tripartism. During the establishment of the National Economic Development and Labour Council (NEDLAC), South Africa's premier social dialogue body, it was decided that institutionalised policy dialogue should not be restricted to tripartism. Representatives of the 'community' sector are included in a Development Chamber.

In short, social dialogue in South Africa can be described as a process of institutionalised exchange of views, consultation and agreement making between various representative constituencies including, but not restricted to, trade unions, employers' organisations and the government.

Moreover, the South African trade union movement generally regards social dialogue as a means to 'deepen democracy' in post-apartheid society. Such an approach is based on the union movement concept of worker-control, which requires union leadership to constantly report back to union members, and to get new mandates before finalising any agreements with employers or government. Research undertaken by NALEDI into unions and democracy shows that organised workers want government policy formulation to follow a structured and institutionalised process of report backs and mandates via a social dialogue structure. In a sense, unions are promoting 'high-intensity democracy' – a democracy that requires leaders to constantly take into account the views of the governed before making important decisions.

This union approach to democracy is especially significant in this era of neo-liberal globalisation. Many conservative commentators argue that globalisation requires rapid and unpopular decisions that democratic processes could not generate. Further, such commentators argue that 'credible' (to investors) economic policy needs certainty and, therefore, cannot be open to societal influence and change. This technocratic view of economic policy-making holds that experts, shielded from political pressures, are most capable of formulating effective policy. They reject the claim that technocratic processes are undemocratic by noting that the government is ultimately accountable to the public through electoral competition every five years or so – essentially seeking shelter behind 'low-intensity democracy'.

This technocratic approach, while clearly expedient, is flawed. In reality, 'non-negotiable' policies are an illusion. Even macro-economic strategies only influence wages, investment and prices - they do not determine them. For instance, the success of inflation-targeting policies depends on support from labour and business. So macro-economic policy will enter the public arena, and successful implementation will depend on popular support and the support of important social formations.

Thus, through bringing public policy formulation into open and extensive public debate, social dialogue can play an important role in deepening democracy.

## **1.2. Trade union history of connecting ‘different’ struggles in South Africa**

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.

This racial discrimination, which existed for centuries of colonisation, became most institutionalised with the rise to power of the National Party in 1948. In the 1960s, the South African apartheid economy recorded one of the highest growth rates in the world. This growth rate, second only to the resurgence of Japan, came on the back of the brutal suppression of the rights of the majority of South Africans, including the imprisonment and execution of many trade union activists. Labour laws provided for the twin aims of controlling workers and channelling their labour to meet the needs of the bosses. For years strikes were virtually unheard of.

Apartheid thus proved to be good for business, with government making interventions to decimate black trade unions and drive down labour costs. Real African industrial wages fell from 1948 for five years and did not recover until 1959. In the gold mining industry as late as 1969, real African wages were still below the level of 1896. In short, capitalism in South Africa was built and sustained precisely on the basis of the systematic racial oppression of the majority of South African people.

The sustained exploitation and poverty of black workers led to the outbreak of the broad and spontaneous strikes of 1973. Despite black trade unions being outlawed, workers were striking back. The response was predictable with employers and the state co-operating in attempting to crush the strikes, often violently. Nonetheless, the 1973 strikes made it clear to employers and the state that significant changes, including changing labour laws to allow black trade unions, needed to be made. While the apartheid state hoped to shape the development of trade unions into a form that could be co-opted, the re-emergence of black trade unions in the 1980s spelt an entirely different outcome.

COSATU was launched in 1985 after four years of unity talks between various unions opposed to apartheid and committed to a non-racial, non-sexist and democratic South Africa. Representing most unionised workers in the country, COSATU 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. The COSATU approach also established the basis for a broader social movement unionism approach in South Africa.

### 1.3. The challenge of poverty, inequality and unemployment

Social dialogue has most value when it is able to bring about improvements in people's lives. In this regard, it is widely recognised that the South African challenges which social dialogue must address are poverty reduction, job creation and creating more equitable income and wealth distribution.

Poverty rates in South Africa are extremely high and follow race, gender and spatial patterns of apartheid policies of deliberate underdevelopment. Table 1 reflects that over 35 per cent of households and 45 per cent of people live in absolute poverty. In this context, trade unions are interested in 'poverty reduction' strategies which change these underlying patterns rather than ameliorative 'poverty alleviation' strategies.

**Table 1: Poverty head count and ratio per province**

<b>Province</b>	<b>% households living in poverty</b>	<b>% individuals living in poverty</b>
Western Cape	14,1%	17,9%
Northern Cape	38,2%	48,0%
Eastern Cape	56,8%	64,0%
KwaZulu-Natal	40,4%	50,0%
Free State	36,1%	47,1%
Mpumalanga	33,8%	45,1%
Northern Province	61,9%	69,3%
North West	29,7%	41,3%
Gauteng	15,4%	21,1%
<b>Total</b>	<b>35,2%</b>	<b>45,7%</b>

Source: Heintz and Jardine, 1998

There is a strong relationship between low wages and poverty with a large proportion of the formally employed earning below the poverty line. The working poor remain poverty-stricken because the labour market is failing to pay a living wage. Under this interpretation, improving poor wages and improving conditions of employment are important strategies to fight poverty.

Looking at the source of household income in South Africa for various income groups helps clarify the issues. For the very poor households, the poorest 20 per cent, approximately half of the household income comes from wages – either through direct employment or through remittances from working relatives (Table 2).

Low wages therefore have an important impact on the level of poverty in South Africa.

**Table 2: Household income by source**

	<b>Poorest 20%</b>	<b>Second 20%</b>	<b>Third 20%</b>	<b>Fourth 20%</b>	<b>Richest 20%</b>
<b>Monthly income 1993</b>	R200	R531	R962	R1 872	R6 879
<b>Breakdown of monthly income:</b>					
Regular employment	23%	44%	67%	79%	65%
Remittances	27%	14%	6%	2%	1%
Casual labour	6%	5%	4%	2%	2%
Self-employment	6%	6%	5%	6%	8%
Agriculture	6%	3%	2%	1%	6%
Rent	0%	1%	2%	4%	10%
Other	31%	27%	15%	7%	8%
Total	100%	100%	100%	100%	100%

Source: Naidoo, 1999

Table 3 below provides a breakdown of 'working-poor' households and unemployed poor households in South Africa.

**Table 3: Poor households by employment category**

<b>Share of Households in Each Category</b>	<b>Poor</b>	<b>Very Poor</b>
(1) No economically active members	25%	28%
(2) All economically active members are unemployed	28%	37%
(3) Some economically active members employed, others not	21%	16%
(4) All economically active members are employed	26%	19%

Source: Naidoo, 1999.

Of these different households, only category (4) can be strictly termed working poor households. Likewise, only category (2) can be strictly termed unemployed poor households. With category (3), both unemployment and low wages could be offered as an explanation of poverty.

From the available data, *both* low wages and unemployment contribute to poverty in South Africa. When one considers all poor households, the impact of low wages and unemployment are approximately evenly split. The 'very poor' households, however, suffer disproportionately from the lack of employment opportunities.

In this regard, unemployment represents a critical challenge facing South Africa. The most recent figures from Statistics South Africa put the level of unemployment at 36 per cent (expanded definition). The number of unemployed grew from

4 566 000 in 1996 to 5 882 000 in 1999.

There has also been a net loss of formal sector jobs (mainly lower-skilled jobs) in manufacturing in the past decade. Furthermore, where there has been an increase in jobs in some sectors (mainly services), these have often been less secure and poorly paid jobs. In short, South Africa has been witnessing a shift away from formal employment to that of informal employment, bringing with it growing inequality, insecurity and poverty.

As formal sector jobs declined, many poor households lost their sources of income. Between 1991 and 1996 the poorest 40 per cent of households saw their income fall by 20 per cent, whilst the proportion of black households among the richest 10 per cent doubled from 9 per cent in 1991 to 22 per cent in 1996. This has exacerbated inequality, which was already amongst the highest in the world.

## **2. Public Policy In The Transition To Democracy**

### **2.1. Political alignments**

In 1991, when popular political organisations were unbanned, the ANC, the SACP and COSATU agreed to work together in a Tripartite Alliance to advance and pursue a programme of people-centred transformation. This programme manifested itself in the Reconstruction and Development Programme (RDP), which was initially outlined by labour, and later became the ANC 1994 election manifesto.

Since the advent of political democracy, COSATU has focused its attention on changing South Africa's apartheid economy to one favouring working people and the poor.

South Africa's growth path has historically depended on exports of gold that allowed for import-substitution manufacturing as well as financing infrastructure. Domestic demand was limited due to large inequalities in income, which also helped to support the manufacture of luxuries for a relatively small high-income group. During this period the state played an active role in the economy, through providing mechanisms to ensure cheap labour, subsidising infrastructure and energy, enacting tariff protection for domestic manufacturers, providing state support of commercial agriculture, and establishing state-owned enterprises, etc.

A new progressive growth path must see the state play a central role in changing the underlying patterns of concentrated economic production and ownership, developing new job-creating sector strategies, and shifting production away from luxuries to wage goods. But this approach is fundamentally state-led, and goes against the neo-liberal approach of letting markets lead, even in the South African context, where markets cannot work for the majority who have no market power (money).

The domestic monopolies, however, have moved quickly to garner maximum support among the growing ranks of the black middle class. Their goal is simple: to 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.

Predictably, then, the contestation over economic policy has been heated and, at times, bitter. Conservatives 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 the 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 predominantly premised on building 'business confidence', and therefore fundamentally steers clear of challenging underlying exploitation and contradictions.

## 2.2. Public policy outcomes

In 1996, the government adopted a neo-liberal macro-economic policy – GEAR (the Growth, Employment and Redistribution Strategy). The policy was implemented during a period of emerging market economic crises, and ostensibly intended to stabilise the South African financial markets through introducing conservative economic policies. These included national budget cutbacks, tax cuts for the better-off, accelerated trade liberalisation, and privatisation – effectively a sort of self-imposed structural adjustment programme (SAP). While the apartheid economy clearly needed restructuring, this self-imposed SAP was aimed primarily at appeasing the interests of international investors and domestic monopolies.

The results of GEAR were predictable from the start, and are reflected in Table 5 below.

**Table 5: Results of GEAR, 1996 – 2000**

	<b>GEAR predicted average</b>	<b>Actual average</b>
Inflation *	<b>8.2%</b>	<b>7.5%</b>
Real interest rate	<b>4.4%</b>	<b>11.3%</b>
Budget deficit (% GDP)	<b>3.7%</b>	<b>3%</b>
Govt investment growth	<b>7.1%</b>	<b>1.5%</b>
Private investment growth	<b>11.7%</b>	<b>2.4%</b>
GDP growth	<b>4.2%</b>	<b>2.5%</b>

\* Inflation measures for 1996 are CPI, other years use CPIX.

Source: South African Reserve Bank, June 2000; Department of Finance, 2000.

GEAR succeeded in cutting the budget deficit (though at considerable social cost), yet the economy did not respond positively. Rather, there has been declining employment and generally low investment. Instead of seeing the creation of

400 000 jobs on average per year as projected by GEAR, we have experienced a loss of more than 100 000 formal jobs a year – a negative difference of 500 000 jobs a year. Since there is no meaningful social security for the unemployed, most of these workers (with an average of five dependants) have fallen into deeper poverty.

In response to this economic crisis, the ANC and its Tripartite Alliance partners in 2000/1 identified four main strategies that can be used by the democratic state to ensure growth promotes a more equitable pattern of ownership and incomes:

- **The provision of government services to poor communities** - this can play a direct role in alleviating poverty, boosting productivity, and be a catalyst for increasing demand and economic growth. A combination of infrastructure provision, social services and welfare grants also modifies demand and in so doing restructures production to meet basic needs through the provision of wage goods. The provision of such services also has major benefits for women. Not only does it reduce the time spend on reproductive work, but opens opportunities for generating income.
- **Skills development and education** – this addresses one of the key obstacles to economic expansion. A focus on skills development will not only improve competitiveness but if appropriately structured, will generate employment and raise wages on a broad scale.
- **Appropriate strategies for key economic sectors** – there is a need to shift the economy away from an accumulation strategy dependent on the mining sector. While bearing in mind the balance of payments constraints, sectors need to be developed that not only support foreign exchange, but also meet basic needs and create jobs. Difficult decisions are needed to create a more balanced pattern of growth that can stimulate investment, create employment by shifting investment to more labour-intensive sectors and sectors with labour-intensive downstream production, and ensure a more democratic economy. It is important that such a strategy generates new centres of economic power, by supporting public, co-operative, community or small-scale ownership. The sector strategies must thus form part of a coherent development plan, with appropriate policies in crosscutting areas – notably fiscal, monetary, labour, trade and spatial policies.
- **Supportive macro-economic policies** – these must allow for more targeted interventions that support growth, while acknowledging the trade off between stability and growth. International experience shows that investment and especially foreign investment responds to more rapid economic growth. Pursuing macro-economic policies that expand economic activity, through lower interest rates and directed government spending, will therefore encourage investment. In particular, public expenditures on infrastructure and education can stimulate investment while at the same time having a positive impact on reducing the extent of inequality.

The extent to which government is now implementing these strategies is, however, a matter of considerable debate and controversy. Nonetheless, despite these

challenges, there is a need to acknowledge the important achievements made by the government in strengthening the basis for a rights culture in South Africa. This has immeasurably empowered ordinary people. The strategic importance of these rights, which include socio-economic rights entrenched in the Constitution, is that there are increased opportunities for social movement challenges to negative public policies.

### 2.3. No easy solutions to job creation

What the preceding five years have shown is that South Africa cannot continue on its current growth path. More proactive targeted interventions are required to ensure that the economy does not only deliver economic growth, but more importantly delivers in terms of job creation, reduced poverty and inequality.

As part of preparations for the Presidential Job Summit, in 1998 NALEDI investigated the underlying causes of unemployment and levels of labour demand in South Africa. This research included an econometric study and a case study of large private firms, and revealed some of the employment dilemmas that social dialogue processes have to address.

The econometric analysis found that job creation in the private sector of a capitalist economy depends, in part, on the share of profits going to the capitalist. This is not a surprise, but it does illustrate a central dilemma for policy-makers. In South Africa, far more people depend on wage income than on income derived from profits. A pro-profit strategy may increase private investment but will exacerbate the already enormous inequalities.

In the accompanying NALEDI survey, large firms were asked to assess the importance of different economic variables on their investment decisions.

**Table 6: What determines investment? (company responses)**

<b>Variable</b>	<b>Not important</b>	<b>Somewhat important</b>	<b>Important</b>	<b>Critically important</b>
Interest Rates	0%	20%	10%	70%
Inflation Rates	0%	20%	40%	40%
Exchange Rates	0%	20%	30%	50%
Economic Growth	0%	0%	40%	60%
Consumer Spending	0%	10%	40%	50%
Average Wages	10%	20%	40%	30%
Good Labour Relations	20%	20%	30%	30%
Overall Stability	0%	0%	30%	70%

Source: Heintz, 1998

Of the different variables that could influence investment behaviour, interest rates, economic growth, and the overall stability of the economy were the most important factors. On the other hand, average wage levels and maintaining good labour

relations were the least important of the variables. Nonetheless, most large firms reported that they would need fewer workers in the future.

Accordingly, there were several broad options facing the social dialogue constituencies:

- If the private sector is unlikely to create jobs, jobs can be created within the public sector and through fiscal policies. The current dispute between labour and the government mainly concerns the government's refusal to explore increasing its spending, on the basis that international markets would react negatively to such a strategy.
- If private firms are to create more jobs, the profit share is important. But any shift towards an even higher profit share for capital (at the expense of labour) would undermine the conditions of the already working poor, and exacerbate an already serious inequality problem. And even if government and business preferred such an approach, it would face fierce resistance from unions and other progressive social formations.
- A brisk redistribution of asset ownership will counter South Africa's underlying economic inequality. A broad segment of society can derive benefits from such a redistribution programme, reducing the impact of any profit-led employment strategy on inequalities. Regardless of this, however, there is a strong case for asset redistribution in South Africa. But redistributive strategies must necessarily confront the power of capital.
- There may be possibilities to develop a job creation strategy through small, medium and micro-enterprises (SMMEs). In the event that SMMEs are proved to be net job creators<sup>1</sup>, this route may be vital. The SMMEs' major problem is a lack of access to cheap credit, which requires government intervention in the financial services sector.
- Finally, the NALEDI research indicated that labour shedding trends in large South African firms seem to be a reaction to the need to become competitive in the international marketplace. Therefore, there is a need to tackle the terms under which South Africa enters the global economy.

Clearly, none of the job creation strategies proposed are easy options for all concerned nor can the substantial changes proposed be made instantly or without substantial dialogue and trade-offs.

## **2.4. Making the labour agenda a development agenda**

For labour to mobilise support for its socio-economic vision and proposals, it needs to show clearly that a labour agenda is a developmental agenda.

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<sup>1</sup> There is considerable doubt among researchers as to whether SMMEs are creating new jobs rather than growing as a result of displaced employment and retrenchment by larger firms.

A broader developmental agenda would need to accommodate the needs of the formal, informal and communal sectors. The traditional notion that the formal sector can be expanded by large increases in foreign investment (lured in by market friendly policies), and the informal sector thus formalised, is increasingly being shown through experience to be unrealistic. Rather there is a clear and present dynamic between all three domestic sectors – where rising incomes in the informal and communal sectors can raise effective demand in the formal sector, and vice versa.

A broader developmental agenda must, therefore, consider ways that enhance all three sectors in a balanced and inclusive manner. Strategies in this regard relate to asset distribution to boost communal activities, better infrastructural services (such as public transport or municipal services) to assist informal activities, and more comprehensive social protection measures to reduce risks and increase the income security of the unemployed and poorly paid.

This development agenda reinforces the point that social dialogue needs to go beyond the traditional tripartite structures. Clearly one needs to embed a social dialogue process that can incorporate a focus on informal and communal sectors too.

### **3. Structure, Functioning and Performance of Trade Unions in Social Dialogue Processes**

#### **3.1. Membership and structure of unions**

The labour laws enable workers to organise relatively freely. The COSATU unions operate on the basis of worker-control, extensive mandating procedures, and regular election of leadership. COSATU also operates on an ‘one industry, one union’ basis – ensuring that its affiliates in the same sector merge to create a united, stronger union.

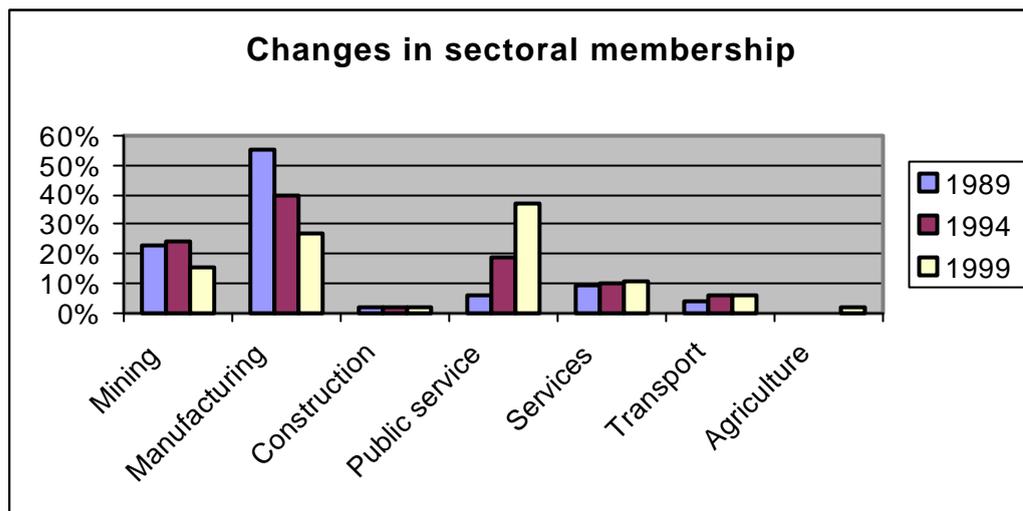
According to research conducted by the Department of Labour, trade union membership represents 69 per cent of the 4.9-million workers in registered, non-agricultural employment. Of these, the 21 COSATU affiliates have a paid up membership of 1.9 million. The rest of the union members in the country belong to a handful of much smaller federations, and about 200 small independent unions.

In contrast to most union movements elsewhere in the world, where membership has declined, South African union membership has increased by approximately 131 per cent since 1985. In particular, COSATU membership has grown from 400 000 in 1985, an increase of 450 per cent.

However, the current dilemma for unions is that traditional ‘union-strong’ sectors are shedding jobs, and the hard-to-unionise sectors are expanding. South African unions are feeling the impact of this changing employment pattern. Graph 1 shows the changing pattern of union membership in COSATU. Currently public service

unions are the largest sector within COSATU, representing 37 per cent of all membership. In 1989, manufacturing was the largest sector with 55 per cent of total membership, mining 23 per cent and public services only 6 per cent. The decline in the manufacturing unions has been dramatic, falling from 55 per cent of total membership in 1989 to 28 per cent in 1999.

**Graph 1: Changes in COSATU sectoral membership, 1989-1999**



Among COSATU manufacturing unions, membership has fallen from 530 625 in 1994 to an estimated 484 258 in 1999. The decline in membership of manufacturing unions mirrors some of the changes occurring in the economy. Changes in employment in these sectors are occurring on a wide scale and at a rapid pace. Slow economic growth and industry and workplace restructuring have resulted in job losses.

These declining manufacturing unions have accumulated considerable worker experience that cannot be easily replaced. As these unions decline, their influence over union movement strategies and priorities may decline too. The consequences of this could be a loss of valuable experience of worker struggles and strategies. Furthermore, the shrinking formal sector threatens to reduce unionism to a small enclave, easily accused of being an elite. Strategically, it is essential for unions to avoid this. Conversely, expanding the working class through growing employment strengthens unions. There is thus an inherent pressure on unions to engage in policy dialogue at national and industry levels to reach agreements for employment creation and retention.

### **3.2. Labour at the national social dialogue level**

South Africa's national social dialogue institutions arose as a result of worker struggles. In the late 1980s the use of power by the major progressive union federations saw the development of the tripartite forums: the National Manpower Commission (NMC) and the National Economic Forum (NEF) – NEDLAC's

forerunners. The immediate cause for this struggle was the attempt in 1988 by the apartheid government, with the support of employers, to amend the labour laws to curb union power. In 1990, after two years of intense struggle, an agreement was reached between unions, employers and government. The agreement, known as the Laboria Minute, accepted that all future labour law would be considered by employer bodies and the major union federations before being sent to Parliament.

In one of the first acts of the new democracy, NEDLAC was created as an Act of Parliament in September 1994 (Act 35 of 1994) and was launched on 18 February 1995. NEDLAC's new statutory status made it more powerful and stable than the NEF and NMC, whose roles it incorporated.

The NEDLAC Act requires NEDLAC to:

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

NEDLAC is a representative body where parties to it seek agreement primarily through negotiation and discussion based on mandates. While NEDLAC has the power to consider and agree on policies before they go to Parliament, Parliament is still sovereign. Any NEDLAC agreement would have to be accepted by Parliament before it became law. Parliament is thus able to change any agreement reached at NEDLAC, but such an agreement – often representing a delicate balance reached between powerful social formations – would have considerable weight, having been reached between the key constituencies.

Besides agreements, NEDLAC's role includes information sharing, research, workshops and seminars, and dispute resolution, thereby serving to strengthen social dialogue and create the basis for future agreements and shared visions.

NEDLAC is structured to address issues clustered into four 'chambers': labour market, public finance and monetary policy, trade and industry, and development. These chambers feed their agreements to the management committee, which in turn reports to the executive council (the highest decision-making structure). A summit is held on an annual basis, where feedback and inputs are given on the progress made by NEDLAC.

In NEDLAC, each constituency freely decides on its own representatives, and how they are allocated to the chambers and other NEDLAC structures. In the labour constituency, the six labour seats in each of the chambers have been divided among the three major federations roughly in proportion to their relative membership

numbers. In the business constituency, the seats are divided between Business South Africa and the National Federation of Chambers of Commerce (mainly black business) on a four-to-two split.

Government is represented in the NEDLAC structures according to the nature of the chamber, so that the Department of Labour is most central in the Labour Market Chamber, and the Department of Finance in the Public Finance Chamber, and so on.

The community constituency (represented in the Development Chamber), however, presented a challenge: Who represents the 'community'? The formula adopted was for several large organised groups (women, disabled people, rural people, youth and civic organisations) to play that role. Representativity, both in terms of the nature of the constituency and the level of organisation, is a key determinate. Nonetheless, the overall composition of the community constituency is open to debate, for example: Should civic organisations (civics) get a larger representation than youth?

### **3.3. Labour at a sectoral and plant level**

Engagement and negotiation at plant and industry levels are a strong feature of South African social dialogue. The unions of the 1970s and 1980s grew from the shop floor, where they focused their organisational power around strong shop steward-controlled locals capable of extracting concessions from employers in plant-level bargaining. However, this strategic emphasis proved insufficient as employers and conservative unions could exploit industry-level bargaining in industrial councils over which progressive unions exerted little influence. Many unions had refused to participate in such structures, which required formal registration with the then apartheid government's labour administration. However, as progressive union shop-floor strength and density grew, many of these unions chose to challenge management in industrial councils, making centralised bargaining a core demand of the labour movement.

In the early 1990s, COSATU's strongest affiliates were able to use their power to engage regarding broad questions of industry restructuring. This issue had been placed on the agenda as a result of South Africa's impending reintroduction into global markets as a consequence of political democratisation. The adjustment required would be significant, given the long history of protectionism associated with much of South Africa's industrialisation. Unions feared that such adjustment would occur on neo-liberal terms, entailing massive job losses unless they developed appropriate restructuring plans and the institutional means to establish these as government policy. Thousands of jobs have already been lost in the clothing and textile, automobile and mining industries.

In the years prior to the 1994 elections, the unions sought to ensure that industrial policy would be developed on a tripartite basis by government, business and organised labour. The unions were able to bring capital to the negotiating table, in a large part because the employers were as threatened as the unions by restructuring,

and both sought to implement consensus-based policies to ensure long-term viability of industries.

Currently, in view of the massive industrial restructuring taking place and the strategic need to develop important sectors, South Africa is preparing for a series of sector job summits. These summits will focus on sectors where jobs are being lost, or where output can be expanded and jobs created. These summits are to be convened by NEDLAC, with extensive prior preparation by labour, government and business.

### **3.4. Labour at a social movement unionism level**

In 1996 COSATU set up the so-called September Commission to consider a strategy for labour into the 21<sup>st</sup> century. The commission recommended in essence that COSATU continue to build on the country's history of social movement unionism. Its report defined 'social unionism' as

“... concerned with broad social and political issues, as well as the immediate concerns of its members. It aims to be a social force for transformation. Its goal is democracy and socialism. Its influence on society is based on its organised power, its capacity to mobilise, its socio-economic programme and policies and its participation in political and social alliances.”

Recent social movement union campaigns in South Africa have included:

- **'The People's Budget'**: Despite a constitutional requirement that Parliament should pass legislation enabling it to change the national budget, five years later there is still no law giving Parliament this power. Furthermore, the constitutional obligations of the state to deliver on socio-economic rights create a focus on the national budget. In response, COSATU, the National NGO Coalition, and several religious organisations began a 'People's Budget' campaign in 2000 – both to increase the budgetary commitment to social goods and to ensure that the budget process is more open and participatory. Many of these NGOs, now mobilising around the strength of unions, are worker advice offices that address the needs of un-unionised workers and 'atypical' workers. Many of the demands that this combined social movement is making concern the use of the national budget for more effective social support and the creation of quality jobs. Partially as a result of this growing pressure, the government is likely to announce in the next few months a new social security system to address poverty and inequality.
- **'Crush poverty, create quality jobs'**: In May 2000, four million workers went on a one-day general strike as part of an ongoing campaign to put unemployment and the massive wave of layoffs on the national agenda. A few months earlier, COSATU organised a civil society conference on the unemployment crisis, where a broad social coalition (similar in composition to the one mentioned above) endorsed the campaign. The conference helped ensure broad civil society

support for the workers' struggle, and immediately galvanised a national debate about retrenchments and job creation.

- **'People before profits':** Perhaps the most famous recent social movement victory came in April 2001 over thirty-nine of the largest pharmaceutical multinational companies (MNCs) in the world. These MNCs took the South African government to court to stop it from making less expensive HIV/AIDS medicines than theirs available to poor people. COSATU and AIDS NGOs, as part of a broader social movement, created a massive local and international campaign against these MNCs under the banner of 'putting people before profits.' Under pressure key MNCs withdrew from the case, and the lawsuit collapsed.

Alongside the specific advances achieved through these campaigns, one common outcome of all these campaigns has been to strengthen the voice of labour in the national debate. These campaigns have also allowed other social formations to increase their own 'voice'.

Though social movement unionism campaigns are becoming a regular feature of the South African political landscape, the definition of 'social movement unionism' remains a subject of debate. Crucially, however, social movement unionism is an 'orientation' rather than a fixed set of structures or goals. Historically, South African unions have placed themselves at the centre of the country's social change movements, but the nature of these movements has varied over time. The social movement unionism of the 1980s was more socio-political (anti-apartheid focused), including even black business groups, whereas the social movement unionism of today is more socio-economic (jobs and poverty focused), with support from the white working class.

Social movement unionism creates space for the marginalised section of the working class currently reached only by NGOs and community-based organisations. Social movement unionism can help the labour movement mobilise more of the so-called 'atypical' and hard-to-unionise working class. This offers the strongest possible answer to the neo-liberal jibe that unions merely represent a "labour elite".

#### **4. Assessment of Union Capacity to Deal with Social Dialogue Processes**

The ILO has outlined the preconditions for social dialogue ('tripartite consultations') to succeed in its Conventions and Recommendations:

- a) Countries must respect the right to freedom of association, allowing workers' and employers' organisations freedom to organise without intimidation or harassment.
- b) Employers' and workers' organisations must be representative of their constituencies, thus promoting useful tripartite consultation.

- c) Representative organisations must be selected without any discrimination and organisations must be free to decide who should represent them.
- d) All partners must be capable to participate in the consultation process. This would mean having enough manpower, finance, access to information and knowledge.
- e) All partners must be willing to co-operate in the tripartite process. Commitment is essential from all the social partners.
- f) Consultation should take place before decisions are made and at appropriate intervals, in order to enable a real impact on the decision-making process
- g) Equal representation of all social partners is vital for the success of tripartism.
- h) A competent authority should arrange administrative support for the consultation process.

This list could be developed further for a developing country context. Nonetheless, the key points hold: constituencies must be representative and have capacity, and they must be willing to engage in real 'consultation' before a decision is made. Based on this, a few observations can be made on relevant experiences of South Africa's social dialogue processes at NEDLAC.

Firstly, all constituencies lack capacity. This includes a lack of technical capacity to develop, analyse or respond to proposals. A study of the labour constituency revealed that despite the efforts to develop research and training facilities, the impact of the rapid loss of experienced senior unionists has resulted in extensive loss of capacity at NEDLAC. Capacity constraints also include the inability of senior negotiators to devote more time to NEDLAC activities, with some already spending about 40 per cent of their time at NEDLAC.

Secondly, due to capacity constraints, agreements have often been driven by a small group of leadership from constituencies. Information on agreements or progress achieved, does not reach the membership as widely as it should. These weaknesses probably exist in all constituencies, including between government ministers and bureaucrats, and between business representatives and employers.

Thirdly, a new social dialogue institution brings with it several weaknesses. New processes are relatively flexible as rules and protocols are still evolving. The extent to which different constituencies abide by these protocols may also differ from constituency to constituency and from time to time. A negative aspect of this flexibility is the unpredictability of processes that may result. The weakness of systems means that, in this vacuum, the role of strong personalities is enhanced.

Fourthly, real social dialogue is undermined when economic policies are kept out of discussion. As mentioned earlier, conservatives have often fought to keep economic policy outside South African social dialogue institutions. Nonetheless, disagreements based on macroeconomic strategy must inevitably spill over into social dialogue on other issues. Economic policy does affect all other strategies. And money, after all, is needed to implement other strategies too. Therefore a lesson learned is that bringing macroeconomic policy more squarely and sooner onto social dialogue agenda may

assist in achieving policies that are better co-ordinated, more effective, and have higher levels of popular support.

## **5. Policies And Institutions That Affect Poverty Strategies**

Key transformation considerations for a poverty reduction strategy/ alleviation strategy are institutional bias, engagement with the global economy, macroeconomic strategy, and social protection measures.

### **5.1. Changing the institutional bias against redistribution**

By 'institutions' one is referring to more than an 'organisation'. Institutions also refer to regularised patterns of behaviour or systems of legitimate enforceable rules embedded in social relations. The development of both institutions and organisational structures is primarily determined by the existing social, political and economic context.

The institutional arrangements of South Africa were historically developed to socially exclude the majority. The legacy of such arrangements include:

- A two-tier service delivery system. The poor (mainly black) use the increasingly cash-strapped and inadequate public services. The rich (mainly white) use well-resourced private services. This dual system reinforces racial prejudice and undermines social solidarity.
- Race and gender are reliable predictors of poverty. Therefore, the entrenched racism and sexism throughout the economy and the society serves to undermine anti-poverty strategies at various organisational and policy levels.
- The entrenched poverty makes the market bias towards 'consumer choice' exclusionary. Since 45 per cent of the population is poor, 'consumer choice' effectively means reducing basic services to the inadequate levels that people can afford, or cutting them off entirely. This traps the poor in a poverty cycle, where lack of access to services reduces their ability to get out of poverty.

Major shifts are possible, however, as in the case of South Africa with changes from undemocratic to democratic forms of government and through the introduction of a Constitution. Such shifts may preface the development of new policy, organisations and legislation that previously could not evolve due to imbalances in political and economic power. Nevertheless, the degree to which institutions and organisations change, and the manner in which they change, depends on the influence different stakeholders exercise on policy-making. Invariably the rich are able to influence processes most through their ability to control information and the media, disrupt the economy and lobby decision-makers.

There is thus an inherent bias in institutional transformation, as there is in all social policy formulation, against vulnerable and marginalised groups. For example, if the government introduces legislation to improve the rights of particular groups of vulnerable people, but through pressure from groups favouring the *status quo*, fails to provide an adequate budget to ensure enforcement of the rights, the reforms will be

nullified. As a result, institutional reform processes, as a rule, should prioritise the participation of vulnerable and marginalised groups. This, again, supports the need for a broader approach to national social dialogue.

## **5.2. Engaging with global economic pressures**

South Africa is a relative small economy (2 per cent of the European Union market), and considerably open to world markets. South Africa has sought to 'engage' with the global economy through developing alliances.

Firstly, the SA government argues that engagement within the WTO is better than abstention because a rules-based system is better than a system based on naked power. Inside the WTO proceedings at Seattle, the SA government consciously sought to build alliances with other 'South' governments, and the grouping was given the title of 'G-South'. The SA government's case for reform of the WTO is premised on the need for a global restructuring of production. There needs to be a SAP (structural adjustment programme) in the north just as much as in the south, whereby the north agrees to close down the 'grandfather' industries (clothing/textiles, steel, etc) which should be reallocated to the south. Newer high-tech and service industries, so the argument goes, should instead become the focus of northern industrial policy. Achieving this agenda is, at best, a long-term objective.

Secondly, South Africa has removed its exchange controls to encourage foreign investment. This was premised on the view that if capital could remove its profits, they would feel more comfortable with investing. However, South Africa does not have the stable capital flows that developed countries have, and is subject to sudden movements of capital flight 'to quality' (that is, the G8) whenever there is a problem in any emerging market. It is suffice to say that foreign investment has not been forthcoming, and instead more capital has left South Africa.

## **5.3. Re-orientating macroeconomic towards social outcomes**

There is increasing awareness that foreign investment follows growth, rather than leads it. Therefore there is a need, especially in this time of global economic slowdown, for an expansionary domestic economy policy. Such a policy could aim to mobilise domestic resources and make interventions to build the national economy and support poverty alleviation strategies.

As a result, the current economic strategy, GEAR, needs to be re-orientated to be more supportive of developmental objectives. This includes expanding and reprioritising the national budget to address development and poverty. It also includes adjusting important public policies, for example, privatisation that satisfies a financial requirement for government but undermines services to people who cannot pay. Thus the manner in which economic policy is affecting social delivery needs to be addressed. This could mean building social targets into the strategy's set of performance indicators.

#### **5.4 Social protection measures**

Cabinet has already established a Committee of Inquiry into Comprehensive Social Security for South Africa. This positive step is based on analyses commissioned by the Department of Welfare, which concluded that the existing social security system is archaic, lacks integration and has many gaps. The Committee will look into various issues including retirement provision, affordable health care, unemployment insurance, social assistance, and a basic income grant.

### **6. Gender Impact**

Economies are invariably built on hierarchical gender relations. Unfortunately, the gender-neutral terminology of economics disguises the inherent male bias in economic policies. Orthodox economics do not take account of the economic realities that women face, such as household unpaid labour, discrimination and labour market segmentation. The focus on concepts of productivity, 'economic restructuring' and 'industrial restructuring' tends to ignore and undervalue the work of women since it focuses on manufacturing for export, while generally excluding the services, retail and informal sectors, in which women predominate.

Thus, gender-blind policies and programmes (which do not distinguish targets, participants or beneficiaries by sex) are often not gender-neutral in their impact (i.e., they do not affect men and women in the same way).

Examples of these 'gender blind, but not gender neutral' policies are the following:

- Policies that allow the loss of formal sector jobs, particularly unskilled jobs – this has a gender bias since women are more likely to have those jobs.
- Privatisation of basic services which reduces services to those who cannot pay – this impacts on women, who do most of the household duties, and therefore are generally obliged to engage in substitution activities.

### **7. Small, Medium and Micro Enterprises**

There has been considerable discussion over whether SMMEs will be engines for employment growth. However, there is little evidence that SMMEs do create new jobs. As Ntsika, government's SMME development arm, points out: "...SMMEs play an important role as job retainers, as can be seen by their relatively better employment growth compared to large enterprises. We do not yet have statistical proof that SMMEs actually create new (jobs)".

While micro-enterprise employment increased by 18%, Ntsika points out that this may reflect that the "loss of jobs in the formal sector may have forced many persons into informal sector activity, explaining some of the increase 'observed' for the micro class."

International studies show the important positive relationship between the growth in unemployment and the growth in new micro-enterprises. The ability of the micro and survivalist sectors to absorb unemployment should be seen in perspective. These sectors grow because people cannot find formal jobs. Furthermore, as the World Bank says: “most new firms are not registered and were created not because the owner was attracted by the pulls associated with entrepreneurship – independence, prospects of higher income, and so forth – but rather in response to unemployment. Persons who are not employed create micro-enterprises principally as a survival strategy.”

Furthermore, SMMEs’ contribution to employment tends to be located in the services sectors of the economy that typically have low barriers to entry and low start up costs. These jobs are often associated with job insecurity, low pay and few benefits.

The growth in services may therefore suggest the relocation of certain activities to different sectors. For example, it may reflect the practice of contracting out specific services that were previously done in house by companies, e.g., canteen, cleaning and security activities. Thus what we may be seeing is merely the substitution of in-house better paid jobs with more benefits with lower paid, more insecure jobs with few or no benefits which are contracted to small enterprises.

Despite the lack of evidence of job creation, SMME policy could play an important role in redistributing business ownership in South Africa. It is also important as a ‘poverty alleviation’ strategy through its ability to provide some form of income generation. Therefore there is a need to find ways to promote SMMEs as part of the integrated developmental strategy that assists people in the formal, informal and communal sectors.

## **8. Conclusion**

Social dialogue is an important part of interwoven processes of democracy and development. Development – by giving the poor a real choice of life options – is freedom. The presence of democratic political institutions is an important instrument for development, ensuring that policy choices and the allocation of scarce economic resources reflect the will and interests of ordinary people.

Trade unions have throughout their history played an important role in the struggle for democracy. This democratising role is increasingly important in Africa, where the lack of democratic political institutions is increasingly recognised as a key barrier to development.

South Africa’s transition from apartheid to democracy and development will be a long and difficult journey. The extent of poverty, inequality and economic underdevelopment is enormous and the process to change this legacy must necessarily be regarded as a long-term one. Unions were central to the collapse of

the apartheid regime, and are thus equally important to the success of building South Africa's new democratic and economic order. Therefore it is crucial to bring these strong constituencies into policy process and harness their potential for transformation.

South Africa's democracy has, ironically, come at a difficult time. The move towards democracy has been accompanied by increasing economic globalisation. The neo-liberal spin of this economic globalisation has tended to contradict the process of development and democracy. Social dialogue, its form and content, is therefore a site of intense struggle. This is made more difficult by the fact that there are no easy solutions to South Africa's development and growth problems.

The outcome of social dialogue engagements, on any particular issue, depends largely on the balance of social forces represented there at that point in time. A question is whether or not social dialogue is able to effect any changes in this balance of forces. It is argued in this paper that social dialogue could offer to progressive formations, in particular the labour movement and community constituencies, the added space to articulate and mobilise around their demands.

Finally, social dialogue processes also carry dangers of co-option or of giving legitimacy to decisions taken elsewhere. This danger is especially real if unions are unrepresentative, not worker-led, or lacking a long-term vision for progressive social change.

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