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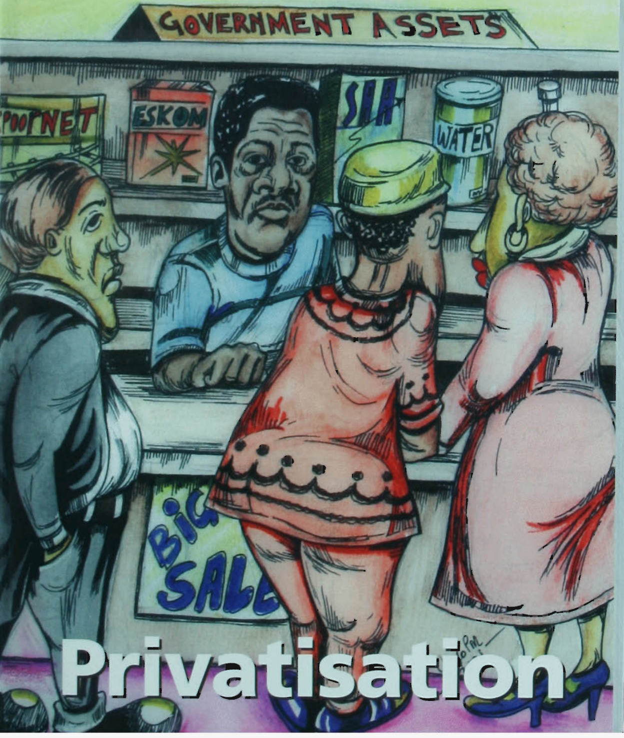

Privatisation

'The success of the globalisers is that they have created the idea that this is the only system that can work globally and locally They have trapped our minds and created a belief that there is no alternative,' said Fatima Meer at the recent sociological congress

This edition of the *Bulletin* focuses on privatisation It is published against the background of COSATU's socioeconomic protest on privatisation

Fatima Meer's quote explains what is happening regarding the restructuring of the state in South Africa and around the world Increasingly, governments and the World Bank and International Monetary Fund believe that the only alternative is to privatise

However, as the SACP declares in this edition, the restructuring of state-owned assets does not necessarily have to mean privatisation This is what SATAWU is saying to the government regarding Spoornet The union is negotiating with government on an alternative to privatisation The British government privatised its railways five years ago This has gone so horribly wrong that efforts to restore the railways to public ownership are gaining momentum Mick Rix explains the situation there

Two articles describe the search for alternatives to privatisation by SAMWU Anna Weekes discusses the importance of doing research to find alternatives John Pape, relates how SAMWU held workshops with its members to find ways to transform service delivery

Also at the sociological congress, Dennis Brutus identified the existing ideology as 'What pays is good, what does not pay is not good' Water and other essential services are turned into commodities used to generate profits But what happens if someone does not have the money to pay for water? Does that mean they cannot get any water?

We publish an article by David Hall examining the state of water privatisation internationally Hall shows how water privatisation has undermined services to the poor and details international opposition to it

Increased privatisation has brought about growing local resistance Rob Rees looks at one example the Soweto Electricity Crisis Committee It has been struggling against electricity cut-offs Unions can strengthen their fight against privatisation by linking up with commnity struggles like this

Beyond the focus, we have a response by Ebrahim Harvey to Roger Southall's article on the Tripartite Alliance in the previous edition of the *Bulletin* We will publish Southall's reply in the next edition.

I hope you enjoy reading this edition

Etienne Vlok
Acting editor

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Negotiate like a man

NOTHING CHANGES

This column is supposed to be humorous. Every now and then REDEYE comes across something that is not funny but that needs to be exposed. It is in this spirit and to show how some people in the labour movement still think that REDEYE relates the following story

REDEYE has a copy of a letter written to the NEHAWU leadership by a newly established branch Like many others, this branch faces restructuring and retrenchments. It is currently negotiating with management and needs assistance

In the letter, the branch complains that it has had problems accessing its organiser. The organiser often arrives late for negotiations. According to the branch, this disrupts discussions and means the branch and organiser cannot strategise before meetings.

Early in July, the branch met with the organiser. The organiser compared his negotiation strategy to the strategy of a man approaching a woman. If the woman refuses his advances, the man should try again. If, however, he is still unsuccessful, the organiser explained, the man should use force.

SPOT THE FORMER COMRADE

In a new feature, REDEYE is going to publish some old photos of former comrades. REDEYE is doing this, hoping to raise funds for the *Bulletin*

How will this raise funds? Well, REDEYE has many photos of former comrades, especially ministers. So, if those comrades are a bit embarrassed about how they looked many years ago, they can send a donation to the *Bulletin* It might just stop REDEYE from publishing those photos Comrades, don't see it as a bribe, see it as ensuring the *Bulletin's* future.REDEYE would like to confirm that the *Bulletin* is in no way connected to any contractor involved in the arms deal. Your contribution will not come back to haunt you. You will not have to spend R250 000 on ads in newspapers to explain yourself.

The first photo is of the premier-formerly-known-as-Sam. Readers might recognise Mbhazima Shilowa's face, but the body is the slick 1989 struggle version – converted since.

Dear Comrade
Lately, the trade union movement has criticised the LRA However, one aspect of how the LRA undermines organised labour has escaped much attention

NEHAWU's parliamentary branch recently had two experiences in the Labour Court that have left us less than pleased with the CCMA

In the first case, the parliamentary ANC, employer of 150 NEHAWU members, reneged on a signed memorandum of agreement that emerged from a CCMA conciliation hearing We were told we had to go to the Labour Court to enforce this agreement.

Six months later, the case was eventually heard in the Labour Court To our surprise, the employers' contempt of the CCMA agreement was no longer the issue Instead, the case turned on the quality of the wording of the agreement, drafted by the CCMA commissioner. In keeping with the CCMA's ethos, the commissioner in question is not a lawyer.

The same thing happened in the second case At issue was not the substance of the dispute but the quality of the commissioner, when measured against the expectations of the Labour Court In both cases, the judge used the highest possible legal standards to rubbish decisions taken by an institution that, by law, is not a court but a layperson's forum for dealing swiftly and freely with workplace issues.

Parliamentary workers are denied the right to strike. We have no choice but to go to the CCMA where we are dependent on commissioners acting with 'the minimum of legal formalities'. Yet, when commissioners do what is required of them, judges, using the maximum of legal formalities, rubbish their decisions

The supposed solution to this absurdity is amongst the proposed amendments to the LRA The contradiction between the informality of the CCMA and the formalities of the Labour Court is evidently to be resolved by allowing lawyers full access to the CCMA How this is supposed to resolve the contradiction is far from clear. Rather than restraining over-zealous Labour Court judges, lawyers will now be able to turn the CCMA into yet another profitable hunting ground

Yours faithfully
· Regina Mohlomi
NEHAWU parliamentary branch chairperson

In the Public Service

Public services worldwide are at a crossroads, Brendan Martin argues in his new book, *In the Public Service* With detailed cases from a dozen countries, including South Africa, Brazil and the Philippines, and examples from many others, it is a companion volume to Martin's *In the Public Interest?* That book showed how privatisation has helped to drive corporate globalisation and further concentrate wealth and power *In the Public Service* shows that an alternative agenda of progressive public service reform has emerged and is maturing

Telling the story through the words of workers and poor people from all over the world, Martin shows that the struggle for the future of public services is far from settled Privatisation is reaching into the heart of basic public services, while public administration is being re-engineered to enforce centrally imposed performance contracts, but there is also growing resistance matched by innovative alternatives

Corporate seizure of the state can be reversed by widening and deepening democracy, Martin argues This means genuine partnerships between the state and civil society to shape the goals of public service reform, coupled with greater involvement of public service workers in the design and management of services By mobilising and developing the experience and knowledge of citizens and workers, efficiency can be increased, quality can be improved and trust can be built

To order *In the Public Service*, to be published by Zed Books, and for details of special discounts for South African organisations, please e-mail admin@publicworld org or write to Patience Hope at Public World, 29 Moresby Road London, E5 9LE, or by fax on +44 20 8806 5814

Zora Mehlomakulu

Think back to 1972. There is no LRA There is no protection against dismissal There are (almost) no unions for African workers African workers can be dismissed instantly for organising. The Western Cape is a 'coloured labour preference' area The last organised African resistance was crushed in 1963

Into this vacuum step a few white students, and the last frail remnants of the South African Congress of Trade Unions (SACTU) – and one tough lady called Zora Mehlomakulu.

Zora and the students

This is what happened.

A group of white students led by Jeanette Curtis (later Schoon) made contact with the SACTU underground through Elijah Loza. Unions were too dangerous. So they decided to form the Western Province Workers' Advice Bureau (WPWAB). Loza brought Zora Mehlomakulu to one of the meetings at the old Christian Institute In 1963, as a young woman, she had been the last SACTU official in Cape Town before SACTU was forced to close down.

The WPWAB's tactics were breathtakingly simple Pamphlets were handed out at railway stations and the students published a newspaper called *Abasebenzi*.

Workers came to the office – in the old Benbow Building in Athlone – with their grievances. 'Are you the only person with this problem?' they were asked. 'No, everyone has this problem,' they replied 'I will come to your factory,' said Zora

She took the bus – no kombi taxis in those days – and spoke to the workers outside the factory. She suggested they elect a committee When 75% of the workers agreed to form a committee, it was formed

Zora's work

Now in those days there were no unions for African workers However, there was the Bantu Labour (Settlement of Disputes) Act of 1953. It provided for the election of workers' committees. So the WPWAB used it. It drove the bosses mad but it was the law!

Zora organised dozens of independent workers' committees throughout the Cape Peninsula. She was the first full-time organiser of African workers after ten years of darkness.

The next step for a workers' committee was to affiliate to the WPWAB. So by 1975, the WPWAB was a city-wide union in all but name. Zora organised factories like Nautilus, Gearings Foundry and Duens Bakery. Soon there were 40 organised factories.

In a few years, the WPWAB grew into the General Workers' Union and then into the Transport and General Workers' Union And from the workers' committees sprang today's shopsteward movement. This was the work of Zora Mehlomakulu.

Zora, the Langa woman

She was one of those tough, independent-minded Langa women She was not an intellectual In meetings, while the young students hotly debated the issues of the day, Zora would drop tolerantly off to sleep

But her instincts were built on a rock – the rock of workers' rights. Many times 'our young baby' – that is what she called the growing organisation – was threatened by the security police. She never wavered. Many times there were political and strategic challenges. Her answer was always 'Workers first'. She had no time for any party line.

Zora was incorruptible. The security police offered her a car – a great thing for a black woman in 1973. She preferred to travel by bus.

She had a delightful sense of humour – she described a fellow organiser as 'a wheelbarrow' because he always had to be pushed. When some crackpot idea was proposed, she would screw up her face and you knew exactly what she thought.

Zora never thought of herself. When she retired from the union, she did not become an industrial relations officer or a Member of Parliament. She started a training project for unemployed workers. Zora made the workers' cause her life.

Now she is dead – in tragic circumstances last month. She has gone to join her old comrade Elijah Loza, who died in police custody in 1977, her young fellow organiser Luke Story Mazwembe, who suffered the same fate, and Jeanette Curtis and her young daughter, who were assassinated in Angola.

These are the heroes and heroines of the workers' movement. ★

GPY, Cape Town

Labour Court's jurisdiction

the need for clarity

Andrew Burrow discusses the implications for the labour movement of a recent decision on overlapping jurisdiction by the Labour Appeal Court.

The Labour Appeal Court's recent decision in *Langeveldt v Vryburg Transitional Local Council & Others*[1] has certain important implications for the labour movement. This happens at the same time that amendments to the LRA are being considered.

The decision on the merits is both very brief and largely irrelevant for present purposes. However, Judge President Zondo's analysis of the possibilities for overlapping jurisdiction offers some interesting insights into the current, sometimes confusing, state of our labour law.

The overlapping concerns the Labour and High Courts, on the one hand, and the Labour Appeal Court, the Supreme Court of Appeal and even the Constitutional Court, on the other.

What the judge was really concerned with was the possibility that one set of facts could form the bases of two different cases before different courts.

The judge felt this could result in 'forum-shopping'. This happens when parties chose their court based on which one they believe will give them the most favourable outcome. Although the court's analysis explores most of the areas of potential overlap, this article will focus on those areas of most concern to unions.

Overlapping jurisdiction

The court first examined the different jurisdictions of the High Court and the Labour Court. It then discussed instances where these overlap. To demonstrate the problem of overlapping jurisdiction, the Judge President relied on several recent cases that arose from fairly common factual situations. In the first situation, a strike is in progress. The employer then approaches the High Court to interdict the striking workers from taking part in intimidation, assault and what the court called 'other strike-related acts of misconduct'.[2] This was the backdrop to *Mondi*,[3] *Sappi*,[4] and *Coin Security*.[5]

The *Mondi* case

In these cases, the courts in question all adopted a similar approach: the fact that the Labour Court had exclusive jurisdiction over these kinds of situations meant that the High Court could not hear these matters. In the

Column contributed by Cheadle, Thompson and Haysom

Mondi case, the court decided that the context in which the dispute arose was that of employment. Because of this, the High Court could not decide the matter. The judge in *Langeveldt* said that the effect of this decision was that 'if employees engaged in certain criminal acts and other acts of misconduct in furtherance of a strike, the only court with jurisdiction to grant relief in respect of such acts is the Labour Court'.[6]

The *Fourways Mall* case

In *Fourways Mall*,[7] we find a slightly different context, although we once again have a party approaching the High Court to interdict striking workers from participating in the acts mentioned above. This time the party seeking relief is not the employer of the strikers but the owner of a neighbouring business. This case does not involve an employer-employee relationship. Thus, would a third party be able to approach the High Court to protect his or her property rights by limiting the rights of the striking workers?

What happened in this case was that workers at two branches of a clothing chain were about to go on a protected strike over wages. The employer obtained an order preventing them from interfering with or assaulting the store's customers or other employees or from blocking access to the stores. Once the strike began, the owners of the two shopping malls where these shops are situated complained that the striking workers were blocking access to the malls by the public, the mall owners or other workers. The strikers were also assaulting, threatening and harassing employees of the mall owners or of the mall owners' tenants.

Who has jurisdiction when striking workers revert to acts of misconduct?

They applied to the High Court for an order preventing the striking workers from engaging in these acts and from being within 500 metres of the malls while they were on strike. The High Court judge who heard the matter first had to decide whether that court had jurisdiction to deal with the substance of the case. He decided that he did not have to follow the cases mentioned earlier. He based this decision on the fact that in those cases, an employer-employee relationship existed. He decided that this element was missing in the case before him.

What makes the *Fourways Mall* case particularly important, and potentially damaging for unions is that the judge did not decide the issue as a labour dispute at all. Instead, he relied only on property law and the law of delict in reaching his decision that the mall owners were entitled to come to the High Court to seek the relief they sought and that they did not have to go to the Labour Court.

Criticism of *Fourways Mall*

Zondo JP's criticism of this case in *Langeveldt*, is that by ignoring the LRA, the judge in *Fourways Mall* did not consider those provisions which protect certain conduct of strikers during a protected strike In particular, sections 67(2) and 67(8) ensure that participating in a protected strike, or carrying out acts in furtherance of such a strike, cannot be a delict or a breach of contract Furthermore, it will not leave striking workers participating in such a strike or performing those acts open to being sued.

Zondo JP accepted that these provisions would not have protected acts that were offences Yet, certain of the acts the mall owners complained of in *Fourways Mall* might well have been protected by the LRA. In this regard, he singled out chanting, toyi-toying and the carrying of placards as protected activities He also pointed out that the strikers are entitled to speak to members of the public to try to gather support for their strike.A general order would prohibit this by preventing the strikers from 'interfering' with members of the public.

Zondo JP's point was the LRA requires a Labour Court judge to be a person with experience, knowledge and expertise in labour law. Such a judge would therefore have known about these provisions.A High Court judge, by not considering these sections of the LRA, may well act to the detriment of workers on a protected strike In the process, this High Court judge may undermine collective bargaining, which sometimes requires an exercise of power, such as a strike.

What a Labour Court judge would also have known is that much of the conduct complained of in the *Fourways Mall* case is usually covered by a picketing agreement.Any disputes around breaches of such agreements are required by the LRA to be referred to the CCMA for conciliation or, if that fails, to the Labour Court for adjudication. By applying only principles of property law, for instance, a court ignorant of that fact assists in making many of our hard-won labour rights meaningless

The Judge President was not only concerned with the undermining of labour rights, however. Returning to his original point about overlapping jurisdiction, he pointed out that in the scenario set out above, the employer of the striking workers would approach the Labour Court for relief.The owner of a shopping mall where the strike was taking place, on the other hand, would approach the High Court for relief against the same people, based on the same acts.Whereas the High Court might then interdict the strikers from picketing and effectively pursuing their strike, the Labour Court could protect that very same action.

In this situation, by which order would striking workers be bound? Appeal might also not help, as the appeals would proceed to different courts: the Supreme Court of Appeal and the Labour Appeal Court respectively.With the possibility of this kind of uncertainty, how do unions go about organising their members and engaging management? It is this uncertainty and possibility for confusion that Zondo JP found unacceptable.

The court's proposals

In order to reduce the chances of confusion, and to use our strained resources more effectively, the judge proposed[a] that if disputes concerning employment and labour matters need to be dealt with by a superior court, then that court should be the Labour Court This would of course necessitate a change to the relevant legislation to iron out the problems mentioned above. In particular,

Chanting, toyi-toying and carrying placards are protected by the LRA.

sections of the LRA and the BCEA that give the High Court jurisdiction over certain employment- and labour-related matters should be amended to take away such jurisdiction

The Judge President also felt that Parliament, the Minister of Justice, the Minister of Labour and Nedlac should give serious consideration to transferring all employment and labour matters to the sole jurisdiction of the Labour and Labour Appeal Courts To this end, he ordered that a copy of the judgment be delivered to these parties

Conclusion

The current potential for confusion in our labour law is not conducive to achieving the effective resolution of labour disputes and maintaining, where possible, industrial peace Several other areas in our labour law exist where the jurisdiction of the various courts overlap However, currently, property owners can rely on property law and the law of delict to limit the activities of lawful strikers This has particularly clear implications for the labour movement, especially for those unions involved in the retail sector These unions' traditional public areas of protest action are increasingly being incorporated into the 'privatised' space of malls and complexes

It is hoped that those currently amending the LRA carefully consider the Judge President's comments ★

Footnotes

1 *(2001) 22 ILJ 1116 (LAC)*
2 *Langeveldt v Vryburg Transitional Local Council & others 2001 22 ILJ 1116 (LAC) at 1126 D-I*
3 *Mondi Paper v PPWAWU & others 1997 18 ILJ 84 (D)*
4 *Sappi Fine Papers (Pty) Ltd v PPWAWU & others 1998 19 ILJ 246 (SE)*
5 *Coin Security Group v SA National Union for Security Officers & Other Workers 1998 (1) SA 685 (C)*
6 *Footnote 2 at 1126 F-G*
7 *Fourways Mall v SACCAWU 1999 (3) SA 752 (W); (1999) 20 ILJ 1008 (W)*
8 *Footnote 2 at 1139*

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Gender and job segregation

the SA labour market

Pinky Lalthapersad examines job segregation in the South African labour market.

Gender differentiation occurs in all societies. It is evident in the division of labour and the allocation of jobs in both paid and unpaid work

In line with the traditional division of labour, boys and girls are assigned different tasks Young girls are usually responsible for housework and the care of younger siblings when their mothers work The allocation of financial resources may also discriminate against girls. They are less likely to be educated. This division of labour in the family invariably affects the occupational choices of women and their income potential

In this article, I examine job segregation in the South African labour market from a statistical point of view.

Women and the world of work

Women are unable to sell the services of their labour freely because, unlike men, they are burdened by housework and childcare Black women are in a worse position, as they also have to care for the elderly. Women have to take jobs that comply with these tasks.

Women rarely find employment in the regulated sectors. They tend to work in areas excluded from statistics, legislation and trade unions. Even when women work in regulated industries, their position as workers is prescribed by their gender

Studies show that the incidence of poverty is greater among female-headed households This is because most women occupy low-paying, basic jobs characterised by weak unionisation. Also, poor female-headed households are more likely to transmit their deprivation to their children. Furthermore, women are more likely to suffer a change in their income status due to a change in their marital status resulting from divorce or widowhood.

Society sees part-time work as allowing women to combine income-earning activities with housework. So, does part-time work promote flexibility or simply serve the needs of employers by providing a cheap, easily dispensable source of labour?

Withdrawing from the labour market for childbearing purposes negatively affects women's job standing They usually return to worse positions. This absence from the labour market also causes women's human capital to depreciate.

Women's jobs

The influence of gender on the labour market is evident in distinct job allocation among the sexes. Statistical discrimination promotes the view of women workers as unreliable due to high turnover and absenteeism rates and costly to train since they are likely to leave work.

There are many misconceptions and stereotypes regarding women's financial needs. Society assumes they work for extra money. Women are rarely seen as primary breadwinners and heads of households.

Companies offer women jobs based on their physical strength, weak supervisory abilities, inability to work late and possible harassment by male co-workers. Certain jobs are reserved for men due to their perceived technical and physical abilities. Companies exclude women from technical jobs because they do not generate technology themselves. Generally, women perform mostly nurturing jobs. Reasons for hiring women in certain jobs rest on their 'natural ability' to undertake certain types of work, their submissiveness, caring nature, physical appearance and low wages.

Another explanation for male superiority is the distinction drawn between the private and public domain. The public domain is the area where men excel, giving them political and economic power. The private domain (that of the household) where women stay denies them political, social and economic power. It pushes them to lower-level jobs.

The well being of workers is linked to the nature of labour markets. Segmentation of the labour market separates workers in respect of income levels, standards of living, economic well-being, bargaining power and occupational mobility.

Women are rarely seen as primary breadwinners and heads of households.

The labour market

Women are more likely to be employed in the public sector due to the nature of jobs in this sector. In 1991, 62% of all employed women worked in this sector. In 1998, 51% of the 1,1-million public servants were women. However, they only comprised 25% of the highly-skilled supervisory workers, 14% of management and 12% of senior management.

Table 1 indicates that there are nine occupational categories in South Africa, of which five are male-dominated and one is female-dominated. In South Africa, the number of occupations refers to the categories stipulated by the Standard

Table 1: Occupational distribution of women (1996 Census)

Occupational group	% Women of total employed	% Black women of total employed	% Black women of total women employed
Managerial	27	7	26
Professional	55	29	53
Technical	48	16	33
Clerical	69	19	27
Service & sales	35	19	55
Skilled agriculture	20	16	81
Artisans	13	9	71
Plant operators	15	7	44
Unskilled work	57	48	84

Table 2: Female-dominated occupations

Variables	South Africa
Total number of occupations	9
Number of female-dominated occupations	1
% women employed	26
% employment share of female-dominated occupations	9
% female workers in female-dominated occupations	13
% male workers in female-dominated occupations	10

Classification of Occupations

In analysing the occupational hierarchy in South Africa, table 1 shows that the five male-dominated occupations are managerial (73% male), sales and service (65%), skilled agriculture (80%), artisan (87%) and plant operators (85%) Only clerical work is essentially female with 69%

According to table 1, black women comprise only 7% of the total managerial staff and 26% of all female managers Yet, black women constitute 48% of the total number employed in unskilled work This is 8 1% of the total number of women in this group.The second highest concentration of black women is in the professional category (29%) They comprise 53% of all women in this group. There are a negligible number of black female artisans, technical workers, clerks, service and sales workers and skilled agricultural workers.

These statistics point to heterogeneity of labour markets with regard to race and gender. Such heterogeneity translates into income differences, differences in economic well-being, opportunities for promotion and occupational mobility.

An illuminating exercise is to examine the structure of male-dominated and female-dominated occupations This will allow one to determine the extent of segregation and the employment share of such occupations Tables 2 and 3 attempt to do this and are based on work undertaken by Anker of the International Labour Organisation.The categories used comply closely with that of the author. In the case of South Africa, 60% was chosen as an indicator of domination as this was the percentage of male employment in 1996.

According to tables 2 and 3, the percentage of male employment (40%) and female employment (26%) in South Africa is predictably low.

If we examine the employment share, female-dominated occupations account for less than 10% of total employment in South Africa. Male-dominated occupations account for 44% of total employment. Such an analysis highlights two things: firstly, that whilst the number of female workers has

Table 3: Male-dominated occupations

Variables	South Africa
Total number of occupational categories	9
Number of male-dominated occupations	5
% of men employed	40
% employment share of male-dominated occupations	44
% male workers in male-dominated occupations	50
% female workers in male-dominated occupations	20

increased, their employment is still far behind that of males, and secondly, job segregation is pervasive and will not be easily eliminated

The percentage of female workers in female-dominated occupations is only 13%, which is almost half the total number of female workers. Furthermore, the number of male workers in female-dominated occupations in South Africa is 10%. These males in 'typically female' occupations are usually in supervisory positions. The number of females in male-dominated occupations in South Africa is only 20%. This indicates that factors such as statistical discrimination, limited access to jobs, segmentation of jobs and job structures are steadfast

Conclusion

In South Africa, the five occupational categories that are male-dominated are typically primary sector jobs. This means male workers enjoy career paths, training opportunities, fringe benefits, competitive salaries and protection from negative economic influences. Furthermore, such workers have considerable bargaining power and well-organised unions to protect their interests

Clerical work is a female-dominated occupation that is not typically 'secondary sector work' but contains many negative qualities. There are limited career paths, scarce training and promotion opportunities, low unionisation rates, few fringe benefits and low salaries. Such job segregation invariably affects women's financial status, their creditworthiness and the well being of the children, especially where women are the primary breadwinners

Gender influences the types of work people do, the sectors that offer them employment, their remuneration, promotion and training opportunities. Gender is reproduced at work through reinforcing stereotyped attitudes regarding occupational roles and the worker's ability to perform certain tasks

In South Africa, the segregation of jobs is very clear across occupations, industries and sectors.

In South Africa, the segregation of jobs is very clear across occupations, industries and sectors. The hierarchal division of jobs means that primary sector jobs tend to be male-dominated. Secondary sector jobs, which are part time and casual in nature, tend to be the domain of women. 'Women's jobs' ultimately transforms into 'ghettos' when women are crowded into a limited range of jobs. If women are to make a contribution to the economy, they need to move into non traditional, well paying jobs. The Employment Equity Act, which aims to put race and gender quotas in jobs, is a pivotal step in remedying the past situation in South Africa where black women bore the brunt of a segmented labour market ★

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Policies and realities

the state of privatisation

If the South African government wants to serve the poor, then privatisation is not appropriate, argues Neva Makgetla.

In July, COSATU declared a Nedlac section 77 dispute with government over privatisation The dispute relates, not to privatisation in the narrow sense of selling state assets, but rather broadly to the replacement of state functions with the market or private control.

This article first reviews the grounds for the section 77 dispute. It then outlines some government policies on privatisation.The third section gives an analysis of why privatisation is not appropriate in South Africa – the main problem being that it is inherently difficult, if not impossible, to force the private sector to serve the poor or become involved in restructuring the economy The final part of the article gives examples of the damage already caused or likely to occur from current privatisation practices.

Defining privatisation

COSATU's section 77 notice defines privatisation in terms of the extension of the private sectors' control and wealth at the cost of the state.These processes include:

- the sale or partial sale of state assets or state-owned enterprises (SOEs),
- the introduction of private competitors in sectors traditionally controlled by the state;
- relinquishing the management of state functions to the private sector; and
- requiring government agencies to operate on a commercial basis. Commercialisation is often a first step toward privatisation and subjects state activities to the logic of the market

Through this definition, COSATU demands, not just an end to the sale of SOEs, but the re-examination of whether it is desirable for market forces to govern the delivery of basic services.

Government policy

In public, government generally argues that it will not privatise on a wholesale basis. Government documents use less controversial terms such as 'restructuring' or 'public-private partnerships'.Yet key policy documents point to an overwhelming belief in the effectiveness of markets and private managers These documents regard privatisation as a way to compensate for recent budget cuts. However, they fail to propose strong regulatory structures or analyse the costs and benefits of privatisation.

The treasury has adopted a particularly

uncritical approach to privatisation. In the Budget Review 2001, it argues that restructuring of SOEs can broaden economic participation, recapitalise public enterprises and reduce state debt. The treasury supports privatisation as it can raise funds to stick to Gear targets. In 2001/2 it expects privatisation of the major parastatals alone to raise R18-billion. This is 7.[illegible]% of the budget.

The Department of Public Enterprises' (DPE) 2000 policy framework effectively commits government to bringing in private interests wherever possible. It believes that full or partial privatisation can enhance the productivity and profitability of SOEs by giving it access to additional funding, technology or markets.

The DPE argues that competition will improve services for all. So it pushes for private competition in state-owned industries such as rail and electricity. The Department of Trade and Industry agrees that it is important to introduce competition into sectors traditionally controlled by the state.

The Municipal Systems Act is the only legislation on restructuring the state. It applies only to local government. The Act sets limits on privatisation very similar to those COSATU demands in its section 77 notice. Unfortunately, faced with the national government's pressure to privatise, municipalities have largely disregarded the Act.

Government's overwhelming support for privatisation contradicts the ANC's historically more cautious view. In 1992, 'Ready to Govern' committed the ANC to restructure the public sector based on evidence about developmental needs. It argued that shrinking or expanding state control should depend on whether it will strengthen the ability of the economy to respond to massive inequalities, relieve the hardship of the majority of the people, and stimulate economic growth and competitiveness.

The Reconstruction and Development Programme (RDP) and the 1997 Mafikeng Conference argued for a strong state. In its 1999 and 2000 election manifestos, the ANC made no reference to privatisation. It stressed the importance of an active public sector. The 2000 manifesto committed government to:

- keep the public sector as the preferred provider of municipal services, to ensure adequate service for all communities
- ensure local government has the powers and resources to serve the communities adequately, using a system of subsidies to local government.

In its 1999 and 2000 election manifestos, the ANC made no reference to privatisation. It stressed the importance of an active public sector.

Shortcomings of privatisation

Overall, government policies praise market forces while calling vaguely for regulation. Ultimately these policies make three key assumptions:

- Competition will lead to lower costs and better quality services for all consumers.
- Regulation can control any negative effects.
- Privatisation will bring additional resources at no cost to the state or consumers.

This article will now discuss these assumptions.

Are SA markets efficient?

The first assumption supposes that South

African markets are socially efficient. This assumption holds neither in theory nor in practice Because of very unequal incomes, private providers have little incentive to serve the poor or contribute to development.

Economic theory argues that markets will only be socially efficient if, amongst others, they have:

- sufficiently equal incomes,
- prices that reflect the full costs and benefits of goods and services to society,
- resources that move easily between activities.

South African markets meet none of these conditions

We inherited a particularly unequal distribution of income. Estimates suggest that South Africa ranks third worst in the world

The distribution of income shapes the outcome of the market. After all, the market is only designed to reach those who can pay, not to raise living standards for the poor.

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Massive income inequalities mean the market will not bring about long-run development. In effect, poverty in itself creates poverty, by lowering productivity and employment. The market cannot break this vicious cycle, since the poor majority cannot afford to pay the full cost of basic services In these circumstances, private business cannot capture the full social benefits of providing services to the poor.

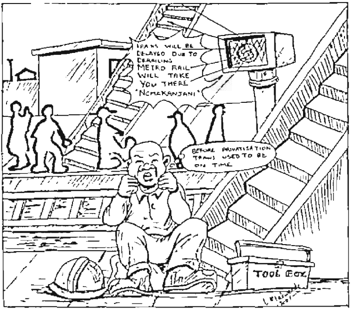
As a result, privatisation cannot contribute to the growth of home-based micro enterprise, particularly in rural areas. Privatised industries would rather serve large enterprises, which can buy in bulk and pay higher tariffs. These privatised industries avoid the difficult and expensive task of extending infrastructure to households

The DPE's policy framework argues that despite these shortcomings, as consumers exercise their market choices, the market will bring about efficiency. This will happen because 'consumers may be prepared to accept a lower quality of service in exchange for a reduced price'. One wonders where the authors live. Few South Africans have the luxury of making choices about basic services. They must get them from the state or not at all.

Privatisation just to introduce competition may undermine industrial strategy. Often, restructuring the economy and competing internationally requires large-scale enterprises. In contrast, for both Eskom and Spoornet, the push has been to fragment large and powerful entities into many small companies

Privatisation often leads to mass retrenchments as private managers close down less profitable operations. Where companies plan to list shares on the stock exchange through an initial public offering (IPO), they want to look lean with lots of cash. So they subcontract or downsize. Thus, Telkom has lost over 15 000 jobs in the past three years.

The DPE argues that more efficient companies will lead to economic expansion, creating new jobs for the displaced workers But unemployment is now officially over 20%, and the formal sector loses thousands of jobs every year. The majority of the workers retrenched by privatised industries are less skilled, and many live in rural areas where unemployment is highest. In these circumstances, they cannot expect to find new employment.



Cartoon: Vusumuzi Mtakwende

Regulation will not work

Because the developmental inefficiency of South African markets is undeniable, most government policies on privatisation admit the need for regulation. But closer examination demonstrates a lack of seriousness.

Effective regulation requires appropriate targets, monitoring and feedback mechanisms, and capacity to enforce regulations. South Africa has inadequate capacity in all these areas. Most policies on privatisation are not linked to targets for service delivery, or the targets are inadequate and poorly publicised. Also, the new regulatory agencies at national and local level do not have capacity to monitor privatised agencies consistently.

The adoption of policies that effectively require wholesale privatisation, as opposed to the case-by-case approach of the RDP, has led to a number of basic management mistakes. We need only mention South African Airways (SAA), Telkom and the Postbank. All of these brought in foreign managers and found themselves flooded with high-priced foreign employees and consultants.

Fiscal policy

Finally, we need to examine the assumption that privatisation will make up for under budgeting.

Private investors do impose a cost on the state or consumers. To serve those who cannot pay, these investors will require a subsidy. For the rest, it must have tariffs that ensure at least a normal rate of return. In contrast, a state-owned service provider can decide on a lower mark-up or cross subsidisation to realise social and economic benefits.

If private capital were inherently more efficient than the public sector, it could still cut costs to the state. But almost no evidence exists that private managers are more skilled than public-service ones. Indeed, the experience with SAA and Telkom suggests the opposite.

A second fiscal motive for privatisation lies in the desire to reduce the public debt. In itself, this approach cannot justify privatisation of any single asset. An excessive focus on the immediate returns from privatisation will lead to shortsighted and costly sales of SOEs.

The real problem lies in an excessively restrictive fiscal policy. This is expressed through the attempts to cut local government budgets and parastatal borrowing, as well as tight targets for the national budget.

The arguments for privatisation are deeply flawed They essentially start by assuming the efficiency of markets and private managers Local realities have shown that this assumption is not true. These arguments also show an unjustifiable belief in government's ability to regulate private interests.

Ultimately, it is clear that fiscal policy is a primary driver of privatisation Yet if market forces are not efficient, privatisation will not reduce the costs to society. Privatisation merely removes the cost from the budget.

Examples of privatisation

The following section documents some experiences with privatisation of rail freight, electricity, telecommunications and water

Rail freight

Spoornet is the freight and long-distance passenger rail division of Transnet. Government announced its intention to concession two lines – Coallink and Orex. These two lines provide most of Spoornet's profits by transporting coal and iron ore. That would have left the General Freight Business (GFB) running at a loss However, GFB plays a developmental role by providing a relatively cheap form of transport, and by reaching remote rural areas

SATAWU argued that Coallink and Orex should be retained in an integrated, state-owned Spoornet For one thing, the two lines made Spoornet as a whole financially viable. Internationally, most rail freight operations have some type of cross-financing between lines In contrast, the state's proposals fell into the classic mould of selling off the most profitable activities while retaining social responsibilities – and costs – in government hands

Ultimately, a joint labour-government task team embarked on a detailed financial analysis of the proposals. The task team has not yet finalised its recommendations Yet, it became clear that in the longer run, it would cost the government money to concession the two lines – both for the profits of the private company, and to support the GFB Moreover, Spoornet would lose up to 30 000 jobs.

It is indicative of the shortcomings of the push for privatisation that basic economic research into the concessioning was not completed until labour insisted

Electricity

The current proposals for restructuring the electricity industry are peculiar. These proposals meddle with the parts of the sector that work well by international standards, while leaving fundamental problems unsolved. The results could be soaring costs for households, a slowdown in electrification, and may undermine investment in the industry.

No one denies that South African electricity is amongst the cheapest in the world. But many local governments, especially in the former homelands, cannot afford to maintain, much less extend, electricity systems Moreover, around 2010 South Africa will need new generating capacity as demand exceeds current supply.

Government's response to these problems seems driven largely by the blind commitment to free markets described earlier Government's proposals will.

- ❑ consolidate local-government systems into six Regional Electricity Distributors (REDs), which would compete to buy electricity from generators;
- ❑ permit private generation of up to 30% of electricity;

- separate Eskom into competing groups of power plants;
- move toward market prices for electricity, while maintaining cross-subsidisation of poor households by rich ones

The shortcomings of these restructuring proposals reflect the broader imperfections of South African markets

First, in distribution, the establishment of REDs ignores the huge inequalities left by apartheid If REDs have to compete for skills and funding as well as wholesale electricity, there is little doubt that the poorer provinces will come off worst.The government has agreed to a national holding company to support the weaker REDs for at least six years Still, it is not clear if this national holding company can counteract the negative effects of regional competition

Within regions, if REDs have to maximise profits, only regulation can force them to maintain services to the poor. Establishing a regulatory framework able to monitor services and set appropriate targets will certainly cost more

Second, in supply, government has not been able to give COSATU any evidence that private generation is either necessary or likely to be cheaper than Eskom production.As far as COSATU can tell, no serious study has been done to back up this assumption The risk is that, without detailed investigation, South Africa could licence private producers and down the line face demands for tariff increases

Third, the proposed tariff system would end the cross-subsidisation of households by industry This would result in increases of between 20 and 50% in the cost of electricity to households.This proposal is already being implemented under the name of the Wholesale Electricity Pricing System (WEPS)

In this context, it is worth noting that the international experience of privatising electricity has often been disastrous A study by the Public Services International Research Unit (PSIRU) gives examples from, amongst others, New Zealand, Australia, the United States (US), the United Kingdom, Argentina, Brazil, the Dominican Republic, Moldova and Kazakhstan. For example

- New Zealand had two months of power cuts in 1999 because the private electricity company did not maintain the underground cables
- In California, the privatisation of electricity led to a 300% price increase and frequent power failures As a result, the state's total production dropped by 10% in 2000

Telecommunications

Privatisation has affected telecommunications in two ways: the sale of 30% of Telkom to US and Malaysian investors, with a further 20% planned for an IPO, and the liberalisation of the telecommunications market, initially to cellphone operators and more recently to a fixed-line competitor and the Internet Again, a naive belief in the efficiency of private companies and the market appears to drive these policies

International experience shows that introducing competition increases costs for the poor, lowers costs for business and the rich, and means relatively slow improvement in access In the past three years, the price of local calls, which the poor use more, increased in real terms by around 35% In addition, basic rental costs are high In contrast, the price of domestic long-distance and international calls dropped

Rising costs for local calls and basic rentals have pushed telephones beyond the reach of most South Africans Many connections are terminated every year, largely because users cannot pay Thus, in the year to March 2001, Telkom provided 620 000 new connections while 220 000 lines were terminated

The regulatory framework seems unlikely to ensure affordable universal access. It does not set any time frames, and considers households to have access if they are less than half an hour away from a telephone The latest policy directions give only the vaguest guidelines on universal and affordable access

Telkom itself has been commercialised and partially privatised The foreign partners only have a minority share in the company Yet, it has become clear that on key issues – including investment and employment – they have effective veto power.

As noted above, the company has also lost thousands of jobs Downsizing seems largely an attempt to slim the company down for its IPO In the past three years, Telkom has lost around a third of its labour force. The retrenched have mostly been unskilled African workers, many in rural areas where no other job opportunities exist. With unemployment already at record levels by world standards, the IPO is being bought at a high cost.

In short, privatisation in telecommunications has followed the classic path: worse services for the poor, high job losses, and improvements only for formal business and the rich For this reason, COSATU argues that new competition should be allowed only at the top end of the market, where the market would function efficiently to provide better services. The state, through Telkom, must take direct responsibility for achieving universal and affordable access.

Water

Water supply is one of the main areas facing privatisation at local government level. Examples from developing countries, including South Africa, show that water privatisation leads to higher prices and worse services, while the state still provides the investment finance.

South Africa faces particular challenges around water Water provision in South Africa lags behind many middle-income developing countries About 86% of South Africans have access to improved water, compared to 95% or more in Uruguay, Costa Rica and Malaysia

Government policies generally say that regulations and contracts will compel private owners to meet social needs. Almost invariably, however, in the Third World private service providers renegotiate the developmental requirements after a year or two of their contracts.

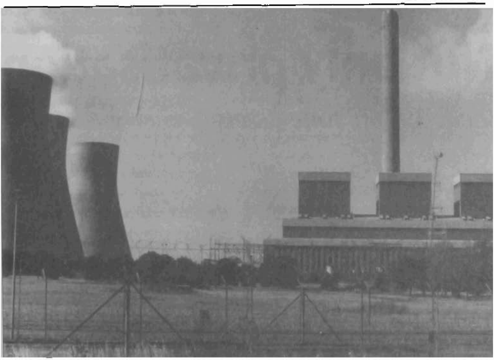
This is exactly what has happened in the Dolphin Coast in KwaZulu-Natal. The municipality signed a contract with a foreign-owned water company, Siza, in 1999 Just a year later, Siza demanded renegotiation It argued that it had a R12-million shortfall because demand for water was lower than expected. The contract provided for renegotiations if returns were above or below the expected rate.

Specifically, the renegotiations provided

- a 15% increase in the tariffs;
- measures to reduce costs, including possible cuts in the concession fee paid by Siza to the municipality – which would also cut funding for the regulatory agency;
- Siza's five-year investment will drop to R10-million from R25-million.

Clearly the company's need to maintain a particular rate of return has become the main consideration Equity, meeting needs and ensuring access for all have taken a back seat.

Problems have also been experienced



Government's proposals will separate Eskom into competing groups of power plants.

with the privatisation of water in Nelspruit. Its municipality signed a 30-year contract with Biwater. Since then, there has been little progress in meeting contractual obligations. Residents complain about high and confused billing, disconnections and leaks. It also turned out that Biwater did not have the funds to meet its promises on investment. Eventually, it fell back on the public sector. In November 2000, the Development Bank of South Africa announced it would loan R150-million to Biwater to carry out the investment programme.

All in all, both practical and theoretical analyses demonstrate the shortcomings of privatisation. COSATU hopes that its actions in the next few months will ensure that South Africa adopts more sensible policies in the future. ★

Notes

I am grateful for insights and information provided by affiliates, and especially by Sandra van Niekerk from SAMWU, Jane Barrett from SATAWU, and the negotiators on electricity from NUM, NUMSA and SAMWU. I am also grateful for comments by Ebrahim Khalil Hassen of Naledi and Fiona Tregenna of COSATU's parliamentary office.

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Neva Makgetla is COSATU's coordinator for fiscal, monetary and public sector policy.

Not only privatisation

the SACP on state assets

The South African Communist Party (SACP) believes that the restructuring of state assets does not necessarily have to mean privatisation, says Mazibuko K Jara.

In South Africa, we have learned many important lessons from the restructuring of publicly-owned assets over the last seven years. Internationally, in the last few years, a more nuanced view of restructuring has also been emerging Most often, this arises from negative experiences. Examples include electricity in California, rail and water in the United Kingdom, rail in Argentina and the sad experience of mafia-style privatisation in Russia.

Time to take stock

We need a review to take stock of what has happened, and where we are headed. It is not that the SACP is against restructuring, or against private sector participation in it. We believe that an illusion exists that the best form of mobilising private capital to invest in our economy (which we must do) is through privatisation.

This review must include all national parastatals, provincial parastatals, local government and the public service as a whole. This review must assess who the beneficiaries of restructuring have been. The review must also determine whether restructuring has advanced our developmental objectives.

Following this review, the ANC-SACP-COSATU alliance must reach consensus on a restructuring programme. This programme should create jobs, deliver affordable basic services and contribute to economic growth and transformation led by the state.

We need a full debate and agreement on the restructuring of state assets and our chosen path of economic growth and development. Unless and until this happens, these issues will continue to cause fundamental problems This could unravel our transformation agenda

Further, the debate on restructuring state assets has partly seen the displacement of a popular debate on economic transformation, the needs and interests of workers and communities. For example, the likely increase of water and electricity tariffs could undermine our objective of providing free basic services to our people.

The public sector cannot contribute to the deterioration of our people's living standards through further job losses, price hikes and decreasing levels of service delivery.

BEE and restructuring

Black economic empowerment (BEE) is an important strategic objective of the ANC-led liberation movement. The restructuring of publicly-owned assets needs to be, in part, about BEE. It should be most obviously about BEE in its broadest sense: empowering millions of black South Africans by creating jobs and providing affordable and reliable electricity, housing, transport, telecommunications, etc. Restructuring can also advance BEE in its narrower sense: increasing the promotion of black managers into senior positions in parastatals; and opening up business opportunities to emerging black entrepreneurs.

Pursuing BEE in both the widest and narrower sense is not necessarily contradictory: a senior black Metrorail manager will probably have a greater appreciation of the needs of commuters. However, we cannot assume that this will always be the case. In some cases, promoting opportunities for emerging black businesses might frustrate wider economic empowerment. We do not always discuss this dilemma adequately in our policy debates and assessments.

Growth and development

For most of the 1980s and 1990s, a triumphalist neo-liberalism has tried to pour cold water on the idea of publicly-owned entities. Neo-liberalism has presented parastatals as inherently bloated, tax-guzzling, inefficient and uncompetitive corporations. The fact that we inherited an often bloated and inefficient apartheid public and parastatal sector has sometimes justified the neo-liberal claims.

That we need to restructure our public and parastatal sector is obvious. That this restructuring has to be neo-liberal privatisation is less obvious. But the conflation between restructuring and privatisation is often made, and, of course, deliberately fostered by certain forces. We need to rebuild confidence in a democratic and effective public and parastatal sector.

As the SACP, we have consistently argued that the restructuring of state assets needs to fulfil the objectives of broad growth and the Reconstruction and Development Plan's (RDP) goals, especially job creation. Such restructuring should also help build a national democratic state – an active, developmental state with effective strategic capacity within the economy.

Why public-owned?

The argument for publicly-owned corporations includes the following dimensions:

Developmental priorities. Privately-owned corporations are not going to invest major resources in overcoming the huge structural inequities in our society. They are not going to deliver educational, health, electricity, telecommunications and transport infrastructure and services to the marginalised. There are at least partial agreements between alliance partners on this. The extension of the Telkom fixed line monopoly, for instance, has been argued from this perspective.

Strategic economic priorities, including the defense of a relative national economic sovereignty. Often people agree that we need to 'roll out infrastructure', and on some degree of public ownership to assure this. So, does the need for public ownership end once infrastructure is rolled out? If so, can privatised corporations maintain effective and affordable provision of services to the marginalised?

We will be unable to realise critical economic strategic priorities without public-ownership in a number of key areas. The short-termism and foot-lose

Unions must fight for quality public services.

graduate capitalists, rather than public sector managers with their own mandate and long-term commitments.This is part of the problem.

Attempting to regulate the private sector might be more complicated than actually owning and managing a public-owned entity: Numerous international examples of municipal public-private partnerships and concessions raise questions about the complexity of regulating private entities.This includes our own experience with Dolphin Coast and Umgeni Water These examples also raise questions on how to ensure these entities deliver efficiently and carry risk – the supposed reason for being 'rewarded' with profits.All too often private entities supposedly carry risk, until they experience losses They then expect to be bailed out with public subsidies

We often lack capacity and resources in the public sector and in parastatals, but it might be more reliable building such capacity and resources.The task of regulating major transnational corporations, especially if you are a municipality, might be more intimidating than improving public service capacity.

nature of private capital mean that key strategic economic (and not just social) objectives may be ignored or frustrated by private capital.We must be careful not just to confine the importance of public ownership to social 'basket' cases where there is so-called market failure

Weak corporate governance where boards and senior management fail to take seriously their public mandate. As many aspects of the South African Airways (SAA) debacle remind us, majority public ownership on its own is not enough to ensure the realisation of strategic economic priorities It is critical that the senior management of publicly-owned entities has a clear sense of public responsibilities and strategic priorities. Management has to grasp the qualitative difference and advantages of publicly-owned entities. Some senior public sector managers see themselves as under-

Infrastructural investment

The President's state of the nation address at the beginning of this year announced a major emphasis on infrastructural investment Infrastructural investment is critical for growth and development. It is linked, in turn, to urban renewal and integrated rural development priorities

However, a key source of capital for this investment drive appears to be from privatisation proceeds – R18-billion is budgeted for in this financial year What is contradictory in this approach is that the institutions to be used for the infrastructural investment are the ones that are earmarked for some kind of privatisation – Telkom, Eskom and Transnet Is it possible to continue with privatisation, and still retain strategic control over infrastructural investment?

Purpose of a review

It is for all the above reasons that the SACP calls for a comprehensive review of the restructuring of state assets to date This review must

- ❑ emphasise the direction and control of the restructuring by the national government, including restructuring at local government-level,
- ❑ ensure that public sector corporate governance is competent, and plays a leading role in reaching our growth and development objectives,
- ❑ ensure that publicly-owned assets are used to broaden the public sphere, and roll back the oppression of the market,
- ❑ ensure full disclosure of all decisions, contracts and information regarding the public sector;
- ❑ ensure the public is allowed access to all meetings where crucial decisions are taken, for example with respect to tenders,
- ❑ ensure effective harmonisation between government departments and clarify the role of the relevant line departments,
- ❑ revitalise and strengthen the National Framework Agreement (NFA) so that managers do not pay lip service to it or not follow it at all

What to do

In restructuring, the emphasis should be on the extension of services to those who need it the most and on public control of enterprises that are essential to development. At minimum, these are water, electricity, transport, health, education, post and telecommunications

Trade unions need to mobilise workers behind the delivery of quality public services It is no use to complain about privatisation without ensuring that the public sector delivers efficiently

It is also essential to develop a much clearer industrial strategy The government should link this strategy to the restructuring of publicly-owned assets The continued absence of an elaborated industrial strategy hampers the restructuring of state assets The Department of Trade and Industry's most recent contribution to the development of an industrial strategy focuses only on one element of an industrial strategy, competitiveness Even in this respect, it is limited We need to follow through with industrial sector strategy summits

Furthermore, the role of publicly-owned entities must be related to the emerging national growth and development strategy perspectives State assets must be restructured within the logic of an evolving growth and development vision for each industry – for our country, and our region.

Where private investment is needed, careful evaluation of the best way of leveraging this investment is required. The SACP-led campaign on the transformation and diversification of the financial sector is one example of mobilising, directing and disciplining private capital to invest in our economic growth and development. ★

Mazibuko K Jara is the SACP's media officer This article draws largely from an internal SACP discussion document on restructuring state assets

Restructuring state assets

FEDUSA's policy

The restructuring of state assets over the past five years has not been a good experience. The demise of Sunair and Spoornet's announcement that it planned to retrench 27 000 workers come to mind. The National Framework Agreement (NFA) was intended to promote a smooth and fair restructuring process. More often than not, it damaged the relationship between labour and management and led to a decline in productivity and workers' morale. The parties did not understand the process or implement it correctly. With the release of its policy framework for state-owned assets in August 2000, the government seems to have recognised these problems and tried to address them

This article aims to contribute to an understanding of government's policy framework, to state FEDUSA's position and to highlight the elements that must be in place for successful restructuring

The NFA

This agreement, signed between labour and government on 7 February 1996, gives the main aims of restructuring as:

- ❑ increasing economic growth and employment – the effectiveness, sustainability and viability of state-owned enterprises are vital to maintaining and generating jobs;
- ❑ meeting basic needs – improving the quality and price of services is critical to this objective;
- ❑ redeploying assets for growth – proceeds from restructuring should be reinvested in assets and not consumption;
- ❑ developing infrastructure by mobilising and redirecting private capital;
- ❑ reducing state debt;
- ❑ making state enterprises more competitive and efficient;
- ❑ financing growth and competitiveness; and
- ❑ developing human resources through decent employment conditions, training and retraining, redressing discriminatory practices and enhancing technical and managerial capacity.

FEDUSA believes privatisation should be carefully managed, not blindly resisted, if the interests of trade union members are to be protected and promoted.

Latest policy framework

In August 2000, government released its most comprehensive policy document to date, 'An accelerated agenda towards the restructuring of state-owned assets'. It endorses the NFA's objectives and highlights a number of key restructuring principles. Firstly, competition should be promoted, within a regulatory framework, to ensure restructuring brings lower prices and better goods and services. A regulatory framework will ensure that monopolies do not distort the development of competitive markets in unregulated sectors. The framework must be consistent, manageable and appropriate, but not bureaucratic.

Secondly, government should spell out its intentions and relationship with the restructured state enterprises in shareholder agreements, in the enterprises' corporate governance framework and in a clear policy framework and restructuring programme. The performance of enterprises will thus be easier to assess, enabling the state and investors to make appropriate investment decisions.

The policy states that government should explore options to enhance productivity, profitability, investment and innovation, including equity sales for access to additional funding, technology or markets. Where this is not required, corporatisation, joint ventures, employee participation schemes and community partnerships may be more beneficial. With partial privatisation, other partnership arrangements may also be appropriate.

Government should maximise the return to the fiscus through equity sales, dividends, and/or tax returns. The policy states that long term returns can be maximised by trading off short-term gains from equity sales in depreciated assets for medium- to long-term gains, such as dividends and taxes, from restructured enterprises.

Restructuring proposals should assess the enterprise's impact on social welfare. It should address the direct and indirect costs and benefits to society, for example concerning employment, pricing and the delivery of essential services.

Government should be transparent about its social objectives, including social plans, employment creation, price subsidies, optimising of public goods and empowerment, enabling shareholders to agree on the restructuring process. Transparency will enable stakeholders to hold government and enterprises accountable and ensure that poor performance can be identified and remedied. Government will monitor the implementation of laws, particularly on transparency and the management of public finances.

The policy states that since 1994 the state's responsibility has increased significantly, putting pressure on its resources. It will aim to stimulate investment and create mechanisms for directing market-orientated strategies. This will ensure growth does not negatively affect people's welfare, make infrastructure a development platform rather than a burden, and release capital for social development.

Why is the state restructuring?

Restructuring is part of a comprehensive government process to limit expenditure on items that can be otherwise managed.

Restructuring and privatisation have been going on since 1973. The previous government tried to strengthen its capital base and encourage growth, but the focus was not on relieving the state's financial burden. Since 1996 the government has decided to relinquish ownership of and responsibility for certain assets and functions. This has many implications for labour. Restructuring and privatisation lead to changes in employment, job insecurity and even job losses.

FEDUSA's position

A strong argument can be made that restructuring and privatisation lead to job losses and should be resisted at all costs.

This, however, fails to recognise that the state/employer may privatise or restructure anyway, and that job losses may not occur if properly dealt with

FEDUSA and its affiliates should seek to manage the process in the best interests of members and protect members' rights.

The NFA and framework document indicate that unions facing restructuring are entitled to develop their own mandates, participate fully in the restructuring process, share and discuss policy documents relevant to the restructuring and take or receive advice from experts and consultants

It is essential that unions obtain all relevant information, including the employer's reason for restructuring, what sections are to be outsourced, restructured or sold; whether any deals to supply or purchase have been struck before the start of restructuring, how the restructuring is to happen, and whether the state has considered the social and welfare implications

It is vital that unions are fully involved at all times. Where restructuring or privatisation may result in job losses, section 189 of the LRA must be followed. This requires an employer considering any dismissal for operational reasons to consult on measures to avoid or minimise the dismissals, change their timing or mitigate their adverse effects Consultation is also required on methods of selecting retrenchees and severance pay.

An employer must disclose in writing to the union or affected employees the reasons for the proposed dismissals, the alternatives considered before proposing the dismissals and reasons for rejecting them, the number of employees likely to be affected and their job categories, the method of selecting retrenchees, when the dismissals are likely to happen; the proposed severance pay, any assistance the employer proposes to offer retrenchees and the possibility of re-employing them in future.

The employer must let the other party make representations on any relevant matter, including options for the transfer of ownership and control, outsourcing options, and the different phases of the restructuring or privatisation.

Unions should not participate in processes where the employer is not providing information requested, or where sections 16, 189 and 197 of the LRA are not followed

Unions must ask relevant questions to obtain the required information, and employers cannot be expected to disclose information they do not have.

Where an employer intends restructuring or selling part of an operation, the union must secure continued employment for its members in negotiations. This will ensure that it maintains its presence in the restructured workplace. Union members may be working in the same place at the same job, with the only difference being that the employer has a new identity. If the restructuring is properly managed, the union should still have members in the workplace. Where the workplace shrinks, it may even have more organisational rights. If members now fall under a bargaining council where the union is not recognised, the problem may be remedied by a cooperation agreement with a FEDUSA affiliate recognised by the relevant council.

Conclusion

Simply privatising state enterprises and breaking up state monopolies does not automatically lead to greater efficiency. International experience shows that without institutional preconditions, privatisation may have worse economic outcomes, with privatised firms holding the economy to ransom. FEDUSA will support the restructuring of state

FEDUSA's 1999 national congress held in Pretoria

enterprises if the principles contained in the NFA and policy framework are adhered to, in addition to the following

- ❑ Detailed business plans must be drawn up for specific business units To avoid haphazard processes, labour must be allowed to contribute to these plans Where possible, these plans should be synchronised between the different business units, avoiding duplication and allowing for the absorption of additional staff,
- ❑ the formation of new parastatals on sound business principles, where possible,
- ❑ the approach must be holistic, and not in a haphazard manner,
- ❑ where assets are sold to a new employer, the state should not abrogate its responsibility for at least 12 months,
- ❑ restructuring for operational reasons in the normal course of business and the sale of state-owned assets should be clearly differentiated and treated differently,
- ❑ managers should not be allowed to leave a state enterprise with a severance package if their services are retained on contract;
- ❑ restructuring should not be used to replace whites with blacks or vice versa To redress racial imbalances, proper employment equity plans in line with legislation should be drawn up,
- ❑ each restructuring initiative must have a social plan that addresses workers' needs in relation to the business unit The social plan agreed to should not fall short of the standards laid down in the social plan emanating from the Jobs Summit

Restructuring and privatisation are complex processes If the interests of FEDUSA's members are to be protected and promoted they should not be tackled lightly or without due consideration When an affiliate is drawn into privatisation or restructuring exercise, it must understand what is happening and become actively involved This will ensure members' rights are protected and improve the chances of an equitable outcome ★

Take back the track

Britain's railways

Mick Rix considers the privatisation of the railways in Britain and efforts to restore the railways to public ownership.

Britain's railways have gone from public service to public laughing stock in just five years. Since the privatisation of the railways the country has suffered from an inferior and unsafe service, profiteering and incompetence. The result has been train crashes at

- Southall, where many people died because of signalling errors;
- Ladbroke Grove, where 31 people died because of poor signalling and poor driver training; and
- Hatfield, where four people died because of a derailment caused by a broken rail on a poorly maintained track.

The great sell-off

Between 1994 and 1996 British Rail was broken into 100 different pieces. The government sold each of these pieces to the private sector. The pieces include 25 train operating companies; 13 maintenance and infrastructure companies; a few rail freight companies, and three companies which own the trains and other rolling stock. At the same time Railtrack was practically given away to the stock market in 1996. Railtrack is responsible for maintaining the signals, track and stations and ensuring the system is safe.

Never has so much been given away for so little to so few. For example, the managers who bought the rolling stock companies decided to sell their companies after a few months. Their initial investment of R1,15-million turned into R195,5-million. Also, Railtrack shareholders have seen the payouts from their shares increase drastically – most recently in the aftermath of the Hatfield crash. This was surely a landmark in greedy corporate insensitivity.

Despite receiving massive subsidies from government, Railtrack puts shareholder enrichment first. For example, in May the government gave Railtrack R17,25-billion to fix the infrastructure, which has deteriorated under Railtrack's ownership. Yet on the same day Railtrack paid out over 10% of that figure to its shareholders.

And in June, Railtrack announced that it had given its former chief executive Gerald Corbett, a parting present of R17,25-million. Corbett was in charge at the time of the Ladbroke Grove and Hatfield crashes, and while the network deteriorated. Adding insensitivity to greed, this was announced in the same week as the report into the Ladbroke Grove accident. The report found that Railtrack was largely responsible for the accident because of its poor management of the railway infrastructure

The fragmented system, driven by profit rather than public service, has meant:

- insufficient investment in safety;
- inadequate maintenance of the railway infrastructure,
- inefficient planning and coordination of services, and
- big share payouts for shareholders

Enough is enough

The Hatfield crash was however a turning point. In January, the three rail unions – Transport Salaried Staff Association (TSSA), the National Union of Rail, Maritime, Transport Workers (RMT) and the Associated Society of Locomotive Engineers and Firemen (ASLEF) – launched the 'Take back the track' campaign.

The campaign aims to restore Railtrack to public ownership This would be the first step towards bringing the whole railway industry back into the public sector It could end the fragmentation and permanent chaos, which privatisation has caused and which looks likely to continue.

The campaign has already attracted a great deal of support. Supporters include over 100 Members of Parliament (MPs), political parties, London mayor Ken Livingstone, the Trades Union Congress (TUC), other unions and environment and community groups

Recent opinion polls suggest that this could be one of the most popular campaigns of the moment One poll showed that 76% of the public are in favour of restoring the railways to public ownership

Safety first

The fragmentation of the railway industry and the substitution of the public service ideal by the profit culture have done great damage. We cannot reverse this or renew the railways while the industry remains badly mismanaged and structured as it is

A publicly owned Railtrack could really mean it when it says that safety comes first. It would not have to prioritise shareholder interests British Rail had its shortcomings, but it had the best safety systems of its time. British Rail also had a culture, which gave safety the highest priority Safety was more important than profit or contractual relationships

A publicly owned Railtrack should take back direct responsibility for maintenance and safety work Currently this work is subcontracted and sub-subcontracted out The result is that no one is in charge and companies blame each other.

'Make it ours again'

The Government has promised R690-billion to improve the rail network over the next ten years – a significant amount of it taxpayers' money

Someone must ensure that the money is spent sensibly. Only then will it lead to safer, more reliable and faster journeys A publicly owned Railtrack, answerable to ministers, would give the railway the leadership and strategic direction it needs

'There is a growing tide of support to make Railtrack ours again'

As Gwyneth Dunwoody, chairperson of the House of Commons transport subcommittee said recently 'there is a growing tide of support to make Railtrack ours again'.

The general public still regards the railways as a public service. Therefore the

Mick Rix of ASLEF.

public expects the government to play a leading role in the management of the railways. Indications are that a review of the performance and ownership of Railtrack would be massively popular with the public. The longer the current farce is allowed to continue the worse it will get for government – and the passenger.

The London Underground

Bizarrely, the government is seeking to repeat many of the problems of railway privatisation with its proposals for the London Underground.

Government is proposing to split train operations from infrastructure management and maintenance. Train operations will then stay in the public sector. The government will transfer infrastructure management and maintenance to private companies for a 30-year period. Many of these companies are the ones responsible for the maintenance, or lack of it, on the main line railway network.

London mayor Ken Livingstone has described the companies bidding to control the infrastructure as the 'scum of British capitalism'. These companies would try to maximise their money by getting maintenance done as cheaply as possible. We have seen what that leads to.

This scheme for the London Underground, called a public-private partnership (PPP), is about the worst possible option to give the Underground the investment it so badly needs.

A PPP is a scheme that guarantees only one-thing – rich rewards for the companies involved. The companies have been set incredibly low performance targets to make their money. These targets are 5% below the present dreadful standard of service on the Underground.

The PPP scheme only addresses the running of the existing network. It does not allow for enhancement and development, something the London Underground urgently requires.

If these companies fail to do the job properly, the London taxpayers will pay for it. For the passenger, it means higher fares and the same consequences of fragmentation that have ruined the mainline railway.

The trade unions have demanded that government drop its rigid insistence on a PPP. Government should listen to Londoners. It should hand the Underground over to the Mayor to take responsibility for its financial future.

My own union, ASLEF, and our sister union, RMT, took strike action on the Underground earlier this year. We did this because of our fears for public safety. London Underground's management have gone a long way to meeting our concerns. However, our opposition – and that of the public – to this part of privatisation remains. ★

Mick Rix is the general secretary of ASLEF.

Not for profit

service delivery

by Sandra van Niekerk

Numerous government documents and pieces of legislation promote the idea of local government playing a developmental role. According to the White Paper on Local Government, this means 'a local government committed to working with citizens and community groups to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives' The white paper also says that local government must represent communities, protect their human rights and meet their basic needs However, this article shows what local government is really doing and what the consequences are

Over the last few years, local government has been restructuring Municipalities have been using this process, with encouragement from central government, to privatise or commercialise service delivery

Privatisation

Privatisation is more than just the selling of state assets It includes:

- cutting the size of the public sector;
- introducing private sector ways of operating into the public sector,
- opening up new areas of the economy for profit-making, and
- increasing the power and control of the private sector over the economy

Gear promotes the withdrawal of the government from direct service provision

Gear also promotes private sector ways of operating as the answer to economic growth Therefore, municipalities have been bringing private sector principles and operators into the public sector

Commercialisation

With commercialisation, every aspect of local government is commercialised – how it operates, how it delivers services, and how it charges for those services

Commercialisation means that local government does not deliver services itself anymore. Instead, local government's new role is to create a suitable environment for service providers in which to operate Local government also monitors and regulates the operations of the service providers

The service provider could be part of the municipality, such as a business unit, or it could be a private company The service provider is independent from the council and operates like a private sector company As a result, the service provider is more concerned with cost recovery than with meeting social needs This means it charges tariffs that cover its operations, maintenance and part of its capital costs

For services, it means the emphasis shifts It is no longer about providing

providing services users can afford. Commercialisation means that residents become consumers. For a resident, it is like walking into a supermarket and buying the service. If one month they do not have enough money, then they must buy less water, or no electricity. As a result, poor communities will not be able to afford to improve their infrastructure. These communities will continue to rely on standpipes, being unable to afford water piped into their homes. These communities will be stuck in poverty.

If the government believes people must pay the full cost of services, and get the service that they can afford, it does not create room for cross-subsidisation. Cross-subsidisation means wealthy households and businesses are charged more than the cost of delivering the service to them. This extra money allows local government to subsidise poor households.

Impact on workers and communities

In South Africa, more than 22-million people live in poverty and the unemployment rate is 36%. If local government commercialises service delivery, it will have a major impact on people's access to services The poor simply cannot afford to pay for services

Already we are seeing the negative impact of privatisation and commercialisation:

- Residents cannot call councillors to account for services, since the council does not provide services directly anymore. Neither can residents call private companies to account, as they are only accountable to their shareholders.
- There is a lack of transparency with most contracts containing secrecy clauses, which prevents communities from knowing to what the council has agreed.
- Prices could increase and the quality of service could decrease – trends shown by extensive international evidence.
- The implications for health and the environment are negative because of the low levels of services that most residents will be able to afford.
- Disconnections and evictions will increase, as more and more people are unable to pay their accounts.

Privatisation and commercialisation affect workers as follows:

- Job losses are likely when services are privatised, with women often the first to go. Hand-in-hand with this is increasing casualisation and the use of temporary workers.
- Work intensification is also likely, with fewer workers doing the same job.

The list of negative consequences for workers, communities, and the municipalities is endless. International evidence exists to back it up. It seems, however, that government is willing to ignore all these consequences. Government believes that free market principles will somehow, eventually benefit poor communities.

SAMWU's vision

In contrast to the government, SAMWU believes that the state must play an active, interventionist role in the economy. This is the only way to alleviate poverty, reduce inequalities and improve the lives of ordinary people. The profit-seeking operations of private companies cannot solve these problems. Nor can it be done by the state adopting a commercial approach to service delivery. Ultimately, local governments have to deliver services with the intention to meet social needs, not to make a profit. ★

Sandra van Niekerk is SAMWU's education officer in the Western Cape.

Global problems

international water privatisation

David Hall shows how water privatisation has undermined services to the poor in many countries and details mounting international opposition to it.

The privatisation of water services has continued to grow in the past year, though not as fast as the multinationals and the World Bank would like it to This article looks at key issues that have arisen in South Africa and worldwide They include the contradictions between commercialising and extending water services, the exploitation of contracts by private water monopolies to increase their profits, the environmental threat posed by 'take or pay' contracts, and the conditions set by the World Bank and similar institutions

The article then considers successful campaigns against water privatisation worldwide I conclude by highlighting the importance of developing alternatives

Commercialisation or service to the poor?

The main difficulty with privatising and commercialising water services is that it becomes very difficult to provide services to the poor If users have to be charged for the cost of the water they use – the principle of 'full cost recovery' – the poor will not be supplied In South Africa, the most shocking result of the full cost recovery approach has been outbreaks of cholera

In other countries, the World Bank, Britain's Department for International Development and other institutions argue for the private sector's key role in supplying the poor But in Latin America the private sector has had problems doing this, even where contracts call for it

In Cordoba, Argentina, where Suez-Lyonnaise runs the water concession, the contract apparently specified that 97% of the city should be connected It also specified that residents, rather than the company, were responsible for domestic connections and a new secondary network This placed an expensive burden on low-income residents in long-established neighbourhoods that were not yet connected to the network In addition, the poorest 5% of the city's people, who live in informal settlements known as 'villas', are still without connections The company claims the contract made no mention of connections and payment for residents of the villas

In Cartagena, Columbia, a joint venture of the municipality and Aguas de Barcelona, a company owned by Suez, runs the contract The municipality put privatisation ahead of other priorities, and the contract failed to address the needs of the poor The workforce was made redundant and forced to reapply for jobs; police and soldiers occupied worksites to contain union opposition, and the tender and award of the concession was shrouded in mystery.The municipality now has no professional capacity in water and sanitation, and is at the company's mercy in negotiations The result is that many of the poor are invisible to the contractor, which claimed that more than 90% of residents were connected by 1999. A World Bank report the same year stated that 'nearly one-third of the population, mostly in poor neighbourhoods, is without running water and basic sanitation services'.The company has grossly under-estimated the target population, ignoring residents who live outside the legally defined municipal area

A concession contract awarded in 1997 to a Suez-Lyonnaise subsidiary in La Paz, Bolivia included explicit targets for extending connections to poor households. However, the contract did not give adequate financial incentives to the company to make extensions in some areas. It has been suggested that the service to poor people should be determined by ability to pay

In Buenos Aires, the water supply and, to a lesser extent, the sanitation network, have been significantly extended since a Suez-led private company, Aguas Argentinas, took them over. But the company is investing little of its own money, as the expansion is effectively financed by a 'solidarity' surcharge on the community.The company threatened to abandon the contract when it found that commercial charges on the poor for connections were not viable.The legality of these charges was challenged and further negotiations have made the contract even more secure for the company.

Some simple conclusions may be drawn There is a contradiction between the commercial interests of private companies and extension of water supplies to the poor Companies leave the poor without water rather than suffer losses, and any solution has to be based on solidarity charges.

Prices, control and exploitation

Supporters of privatisation believe the contract is the central feature of any concession, and that the company carries out its side of the bargain in return for reasonable agreed rewards.This is not what happens in reality. Privatisation is the starting point for companies to increase their income through constant renegotiation and special pleading.

The Dolphin Coast water privatisation is an example from South Africa. In April 2001, Siza Water, controlled by the French multinational SAUR, refused to pay the scheduled R3,6-million lease payment due to the municipality of KwaDukuza. Siza demanded that prices were immediately increased by 15% to restore profitability. Siza argued that there had been a shortfall in its revenues of about R12-million a year because housing development and, therefore, the demand for water had fallen short of projections

It is remarkable how often the forecasts on which contracts are based turn out to be over-optimistic, requiring 'an unforeseen' price rise.Two more extreme examples can be found in one of the oldest, and one of the most recent concessions in Europe.

The city of Valencia in Spain is to tender for a new water concession next year, when the existing concession, held by Aguas de Valencia (Avsa), a subsidiary of the French multinational SAUR, ends after 100 years Nine months ago, Avsa told the council that it had failed to contribute to workers' pensions under a forgotten

Cartoon Vuyo Mwana

agreement signed in 1962 As a result, Avsa is owed about R110-million, which will have to be repaid by raising tariffs Six months ago the city council was told that if another company lands the new contract, Avsa would claim more than R130-million to compensate for loss of future profits Avsa's advisers are international consultants and auditors PricewaterhouseCoopers

The capital of Estonia, Tallinn, privatised its water company in January this year It is now controlled by International Water, which was expelled from Cochabamba, Bolivia, in April last year Tallinn Water was an efficient municipal company that recorded a small profit last year of about R8-million The new owners, however, decided to pay themselves a dividend of about R60-million, forcing Tallinn Water to borrow money to pay them International Water justified this by claiming Tallinn Water was over-capitalised On average, 47% of the capital of European water companies is borrowed or external and 53% is shareholders' capital In Tallinn Water, the ratio strongly favoured the shareholders' capital, and payment of dividends was a good way of changing it

The next surprise for Tallinn was a demand by the company that the council pay an extra R20-million each year for surface water drainage, a service previously covered by the water tariffs

The conclusions are simple. The signing of a private water contract creates an opportunity for multinationals to use a stream of profit-enhancing devices Water supply becomes a vehicle for negotiating higher profits

'Take or pay' water contracts

There is increasing use of 'take or pay' contracts, and the cornering of water supplies for exploitation in times of shortage The contracts resemble power-purchase agreements and wholesale trading markets, under which private power stations have caused problems for public authorities in places such as

Maharashtra, India, and California in the United States. Such agreements pose the risk of damaging the economy and the environment by wasting water resources.

The Lesotho Highlands Water Project is a local example. The project's viability depends on contracts to supply water to South Africa, yet the cost of moving the water has never been properly evaluated against demand-management alternatives, environmental costs or the social costs to poor consumers

Vivendi won a 'build, operate, transfer' concession for a water supply project in Chengdu, China last year which imposed a 20-year obligation on the public authority to buy a set volume of water from the company, whether it was needed or not.

In 1999, Enron's water subsidiary Azurix bought into a huge bulk water 'bank' in California, with a capacity of 400 000 acre-feet and maximum extraction of 100 000 acre-feet a year. Azurix said it planned to sell bulk water to various public and private sector customers in central and southern California under 20- to 30-year lease agreements at a fixed price. It would keep the remaining 20% of the storage capacity for trading and optimisation. Trading, the company said, would be maximised during dry and drought years when demand far exceeded supply.

In the same year, Azurix set up a trading venture, Water2Water, to transact the transfer

Table 1: Cases where privatisation was successfully opposed

Country	City	Year	Type
Poland	Lodz	1994	Privatisation prevented
Honduras	Honduras	1995	Privatisation prevented
Hungary	Debrecen	1995	Privatisation prevented
Sweden	Malmo	1995	Privatisation prevented
Argentina	Tucuman	1996	Termination and reversion to public
Germany	Munich	1998	Privatisation prevented
Brazil	Rio	1999	Privatisation prevented
Canada	Montreal	1999	Privatisation prevented
Panama		1999	Privatisation prevented
Trinidad		1999	Termination and reversion to public
Bolivia	Cochabamba	2000	Termination and reversion to public
Brazil	Limeira	2000	Incomplete termination
Germany	Potsdam	2000	Termination and reversion to public
Hungary	Szeged	2000	Incomplete termination
Mauritius		2000	Privatisation prevented
Thailand		2000	Termination and reversion to public
USA	Birmingham	2000	Termination and reversion to public
Argentina	BA Province	2001	Incomplete termination
France	Grenoble	2001	Termination and reversion to public
Brazil		current	Continuing campaign
Ghana		current	Continuing campaign
Indonesia	Jakarta	current	Continuing campaign
South Africa		current	Continuing campaign
Uruguay		current	Continuing campaign

of water and the purchase and sale of water storage and water quality credits Azurix said it expected the first subscribers to be in the western United States

In effect, the company plans to use long-term guaranteed contracts with public authorities, and exploitation of markets through trading Azurix's parent, Enron, was one of the power companies that made huge profits from California's electricity market when prices soared as a result of the recent energy crisis there.

Global opposition

There has been widespread opposition to water privatisation in all parts of the world The table on p 40 lists major cases where privatisation was successfully opposed

A number of campaigns are still in progress, and the fact that they are alive is a form of success Brazil was close to privatising the water supplies of many major cities in 1999, for example

Many other campaigns have failed, including the campaign in the United Kingdom against Margaret Thatcher's privatisation plans in the 1980s In other cases, privatisation proposals were halted or rejected

Continuing campaign

These campaigns have involved a range of allies and tactics The groups involved have included trade unionists, environmentalists, consumer groups, community groups, farmers, sometimes managers, political parties, individual politicians and non-governmental organisations (NGOs)

Cases need individual analysis, and it is difficult to draw general lessons Opposition to a 'private build, operate, transfer' project in an affluent corner of Europe or North America may not be a model for attempts to reverse privatisation in a developing country At the same time, insurrectionary movements in Latin America may not be easy to transplant to the suburbs of European cities But there are some lessons to be learnt

Trade unions for water workers have played a leading role in nearly all the successful campaigns (such as in Lodz, Debrecen, Trinidad and Cochabamba), as well as ongoing campaigns such as those in Brazil, South Africa, Indonesia and Uruguay They have been crucial in mobilising other groups and political organisations By contrast, in Chile, where the water workers' union was at best neutral, water was privatised in most cities in 1999 This was despite considerable potential for widespread political opposition A presidential election took place that year, and all four major candidates issued a joint statement saying they opposed the privatisation of water services

Environmentalists played a key role in halting privatisation plans in Montreal, Canada, where a broad alliance was built with environmental water campaigns across the province of Quebec In Grenoble, France, a 'green' party played the spearhead role in a successful campaign to end privatisation

Public sector alternatives

The development of a viable alternative has been central to many of the campaigns This was true in Lodz and Debrecen, and was central to the action in Honduras, where the restructuring of the water company was negotiated as a way of mobilising public opposition to threatened privatisation

In Cochabamba, Bolivia, where IWL's private water concession was terminated in April last year after a mass uprising, the struggle for an alternative continues Facing government's insistence on another private concession, the Coordinadora de Defensa del Agua y de la Vida (Campaign for Water and Life) is fighting to re-establish a public sector water undertaking, which is democratically controlled and economically viable.

One obstacle to public sector options is the Development Banks' insistence on privatisation as a condition for loans. This is happening in Ghana, where the World Bank has made loans conditional on privatisation, and in Europe, where the European Bank of Reconstruction and Development has offered money to councils such as that of Timisoara, Romania, if it privatises to a specific company. International Monetary Fund (IMF) loan agreements in 12 out of 40 countries include conditions imposing water privatisation or full cost recovery

International action

Trade unions and environmentalists have spearheaded international campaigns against privatisation. Public Services International has given its affiliates increasing backing in local campaigns against privatisation, with research support and publicity. International Rivers Network also coordinates publicity and support for campaigns against dams.

Coordinated action at international events is also beginning, the most visible example being the World Water Forum at The Hague in March last year. A small number of unionists and NGOs made a considerable impact on the outcomes of the conference.

The next United Nations summit on the environment, in Johannesburg next year, will be a crucial focus for opposition to privatisation. Trade unions, community groups and NGOs from across the world will demand an end to water privatisation as a condition for loans by the World Bank and other institutions, state their support for the principles of cross-subsidisation and solidarity, and underscore their rejection of the idea of full cost recovery from users. The multinationals, on the other hand, will seek to use the event to promote themselves as 'the only option' in the water field. ★

David Hall is director of the Public Services International Research Unit (PSIRU), based at the University of Greenwich, London

Table 2: Internationally active water companies, 2001

Multinational group	Home	Water division	Other names
Suez	France	Ondeo	Lyonnaise des Eaux, Aguas de Barcelon, Northumbrian Water, Degremont, WSSA
Vivendi	France	Vivendi Water	Generale des Eaux, OTV, FCC, Proactiva, US Filter
Bouygues	France	SAUR	Aguas de Valencia
RWE	Germany	Thames Water	Berlin Wasser
Enron	USA	Azurix	Wessex Water
Bechtel, Montedison	USA, Italy	International Water	United Utilities, IWL
Biwater, Nuon	UK, Netherlands	Cascal	Biwater
Anglian Water	UK	Anglian Water	
Dragados	Spain	Urbaser	
Acea	Italy	Acea	

Source: PSIRU database

Researching alternatives

public service delivery

by Anna Weekes

The public sector in South Africa is under-researched This is common all over the world Until the Municipal Services Project (MSP) researched the water privatisation in Buenos Aires, Argentina, the World Bank had done the only other research The recent Southern Africa Anti privatisation Forum held in Zimbabwe also revealed that the World Bank sponsors nearly all privatisation research in Africa

This article looks at two cases where workers are doing research on privatisation and coming up with their own findings

SAMWU's research

As part of a new project, SAMWU will research how best to restructure a municipal workplace, keeping privatisation out of the picture

This research will check whether and ensure that municipalities adhere to the new Municipal Systems Act The Act stipulates that municipalities first assess and reorganise internal delivery systems before resorting to privatisation. Thus, municipalities must make internal restructuring their first option

The project

The project, of which the research is one part, started at the end of July 2001 and will run until November 2002 It will start with pilot projects in three workplaces

These workplaces come from different geographical areas as well as a range of categories of municipalities and services A reference group, consisting of researchers, workers, the employer body – the South African Local Government Association – and the Department of Provincial and Local Government, will be formed

This project is in line with SAMWU's position to complement its opposition to privatisation with strategies to improve municipal delivery The project is part of the MSP

The research

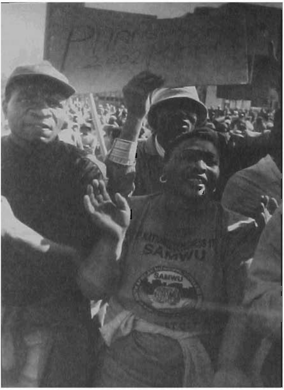
The research should come up with concrete findings on

- ❑ the relationship between workers and management,
- ❑ the role of the union in service delivery,
- ❑ how workers participate in decision-making,
- ❑ how work is organised, and
- ❑ what machines and equipment are available.

SAMWU will publish the results in three reports, as well as in shortened popular versions in different languages

The research findings will

- ❑ allow the union to draw up a profile of



SAMWU will research the relationship between workers and management.

workers' skills and experience;

- ❑ show the issues which workers believe hamper effective service delivery;
- ❑ help design guidelines for municipalities to use existing resources better,
- ❑ build the general confidence of workers and local government officials in the public sector to deliver services effectively, and
- ❑ improve ways to involve workers in internal restructuring, as workers are an untapped source of knowledge, skills and experience.

Research in Zambia

Research on privatisation has also been done in Zambia. The Workers Christian Movement of Zambia studied the contribution of economic structural reform policies to the decline in living standards. The research specifically looked at workers employed by two privatised state-owned enterprises.

The research found that the government's privatisation policy 'left people open to exploitation by multinational corporations'. The policy, instead of contributing to economic growth, hampered production at the two enterprises The policy also did not help existing state enterprises survive.

The government introduced the privatisation policy in Zambia under a structural adjustment programme in 1992 The research found that the number of people living under extreme poverty had increased from 50% in 1990 to 80% today. The research concludes that privatisation cannot improve the standard of living of most Zambians who live in poverty and have no hope of employment.

Using research

The conclusion from Zambia is nothing new to us in the labour movement. It is saying that structural adjustment programmes like Gear do not work for workers. But it helps that there is proof of the suffering and increased poverty of the workers under privatisation in Zambia. It gives the other side less ammunition in its bid to privatise.

Research on its own cannot distract government from its pursuit of privatisation. SAMWU realises that even successful pilot projects will not mean that local governments abandon privatisation and choose internal restructuring. But a successful project will boost the union's capacity to keep up the fight against privatisation and show that public sector delivery is the way to go. ★

Anna Weekes is SAMWU's media officer

SAMWU's efforts

a public sector alternative

John Pape describes a series of groundbreaking SAMWU workshops on the question of how to transform service delivery.

In South Africa, service delivery is completely unacceptable. Apartheid backlogs make transforming service delivery more difficult. In many instances, the state has responded with strategies giving the private sector a key role. Millions of rands have been spent promoting partnerships between government and business. Almost no resources have been devoted to exploring how to restructure the public sector.

Government's extensive promotion of public-private partnerships has put most unions on the defensive. For years, the fatal flaw in most trade union struggles against privatisation has been to focus solely on protecting jobs. In a country where more than a third of the working class is unemployed, protecting the gains of public sector workers is a difficult exercise.

However, SAMWU has tried to put forward alternative plans for public sector restructuring. The union has developed pilot projects such as the Odi public-public partnership. But there has been no national process aimed at restructuring service delivery to communities.

Beyond halting or delaying

Before the local government elections in December last year, SAMWU planned a series of workshops on problems of the transition. SAMWU was to hold two rounds of workshops at the national and provincial level. The first would deal with job-related issues, placement, changing structures and the organisational rights agreement. The second would address service delivery. Unlike others, this programme intended to go beyond the legal tools to halt or delay privatisation.

This appears to be the most sustained national effort by a union to develop its own proposals and strategy for restructuring public sector delivery. The workshops are only the beginning of a long and complex process. Nevertheless, they are an important milestone in developing a union response to service delivery in historically oppressed communities.

This article gives an overview and analysis of the workshops. The first section summarises the aims and content of the workshops. The second section presents an overview of the trends in service delivery in various provinces. The third section outlines how participants engaged with the workshop learning process. The final section looks at the outcomes of the workshops and offers some analysis

Aims and content

From April to June this year, workshops were held in all provinces except Gauteng Each workshop lasted two days. The main aims were to examine the form and extent of restructuring service delivery and to develop proposals for SAMWU's strategy for advancing public sector delivery in each province. The workshops particularly targeted shopstewards. ILRIG facilitators and SAMWU national and regional educators planned the workshops Funding came from the South African Labour Development Trust.

At one level, the workshops were a dialogue between national and provincial structures Each programme began with an input by a national official on the union's overall approach to service delivery This gave broad direction, emphasising the need to link workplace issues with community issues of service delivery. A provincial office bearer (usually the secretary) then presented an overview of developments in service delivery in the province. Participants added their own experience and discussed key issues.

The workshop was designed to encourage participants to reflect on how to transform services to the benefit of the communities. This was done through two activities. The first involved groups reading and analysing cases of successful public sector restructuring.

Two international examples were used: the participatory local government budgeting process in Porto Alegre, Brazil, and a union-led internal restructuring of local government departments in Malung, Sweden. The third case study dealt with SAMWU's own public-public partnership for water services in Odi.

The international examples were included for two reasons. Firstly, supporters of privatisation, such as the World Bank, argue that international experience demonstrates the necessity of enhancing the role of business in service delivery. The case studies offer an alternative view. Moreover, carefully chosen international case studies can be an effective way of emphasising that public sector workers around the world face similar problems.

The second activity involved simulation and role-playing. Participants were given the details of the water service in an imaginary municipality. The profile was similar to that of many South African municipalities: low payment levels, poor or non-existent services to informal settlements, inaccurate billing and extensive illegal connections.

Some municipal officials were eager to set up a partnership with a French company, while others wanted to give the union a chance to make a proposal. Participants then had to draw up a restructuring plan and present it to the 'management'.

The facilitator played the role of the chief executive officer, with other participants being 'coopted' onto the management. The plans were then presented and aggressively questioned by the municipality's management.

Once this was completed, the participants discussed and analysed the role-play in terms of how it related to the union experience of such processes.

The last session of the workshop, facilitated by the provincial educator, involved making recommendations on the way forward for service delivery in the province. Although the workshop did not have the status of a union structure, in most instances top provincial leaders and the heads of restructuring committees attended The recommendations carried considerable weight

Service delivery trends

In every province, a wide spectrum of functions had been outsourced or handed over entirely to the private sector These ranged from bus services in Durban and the privatisation of stormwater in Middelburg, to the outsourcing of motor vehicle registration in parts of the Northern Province and the Northern Cape In most cases the reason given for outsourcing was a lack of council capacity. Yet, in many instances, work was outsourced even when existing staff was employed to do the job For example, in several Western Cape municipalities, parts of the cleaning function were outsourced while the existing workforce were inactive or given other work to do There seems to be a deliberate attempt to create a lack of capacity, which then becomes the motive for privatisation

Protecting public sector workers is difficult

A number of key issues and debates emerged The question arose whether outsourcing that does not affect existing jobs and conditions of service is a problem. This was particularly controversial when the municipality provided jobs for the unemployed

For example, in one Mpumalanga municipality, metre reading was outsourced to a private company There were so many complaints about inaccurate billing that the contract was cancelled Community members were then employed for the task. In Delft in the Western Cape, the South African National Civics Organisation (SANCO) led a march to the offices of the municipality It demanded that certain functions be outsourced to community members as a way of creating jobs This was a major theme in most of the workshops How does SAMWU build alliances with community structures to promote local economic development without undermining union gains for members?

Another important issue, which

surfaced in nearly every province, was the union's involvement in the municipal restructuring exercise. The two most frequently mentioned examples were integrated development plans (IDPs) and local labour forums (LLFs).

The legislation requires long-term IDPs to include extensive consultation with communities. Generally, this is not taking place, and workshop participants felt it was a key area where SAMWU should intervene and build community links. In only one municipality, Nala in the Free State, did participants express satisfaction with the IDP process This could be because the mayor of Nala is a former SAMWU member. Other areas reported consultant-driven processes, or attempts by municipalities to cut and paste from previous plans

Only the Free State reported that LLFs had been set up in every municipality. In Northern Province and North West, few, if any, LLFs were operating. In KwaZulu-Natal, most municipalities lacked forums. Apart from the question of setting up LLFs, a thorny issue was how to empower them. As they are forums for consultation, there was concern as to how the proposals agreed to there could be forwarded to negotiating structures

A last point is that SAMWU has successfully contested attempts by local authorities to outsource certain functions or put them out to tender. In the Free State, an attempt to privatise water in Bloemfontein was blocked. In the Western Cape, there was a successful anti-privatisation initiative in Montagu, involving extensive mass action. In Sedibeng in North West, the Municipal Systems Act was used to block outsourcing. There were other successes too, many of them not even widely known by SAMWU members from the same province. Free State provincial secretary Jonas Nhlapo noted: 'In SAMWU we've got victories, but we don't apply them consistently.'

Engagement by participants

Generally, participants took a little while to shift from thinking about the employment-related aspects of restructuring and focus on service delivery. Once the hurdle was crossed, participants began to relate content to key strategic questions. For instance, the discussion of the Porto Alegre budgeting process sparked discussion about whether IDPs could be used in a similar way. In North West, this led to a broader political debate about whether Porto Alegre's success depended on the fact that a workers' party dominated the municipality. The debate also looked at whether ANC-ruled municipalities would promote such a form of popular control.

Initially, many participants were put off by the Swedish case study. The study involved workers researching their jobs and coming up with ways to reorganise their departments They argued that Swedish workers were more literate than South African shopstewards. However, a question was asked as to whether a meeting of workers in the water service could detail service problems and ways they could be addressed. Participants agreed that 'our members' could do this. The discussion led one participant to comment: 'We need to encourage workers to talk about issues like how water can be purified'

The Odi case study prompted a range of responses. In the Free State, many people concluded that such partnerships were not possible as long as government's Gear policy remained in place. Others blamed the problems in Odi on SAMWU itself, arguing that the union had not strongly defended the initiative. In North West, a

Workers in the water service could detail service problems.

large part of the workshop was dedicated to charting a way forward for Odi, including mobilising international support. A key point registered in all provinces was that the Odi project would not have taken off without community involvement. As shopsteward, Edwin Mahloma said 'Alone, SAMWU cannot succeed.'

In nearly all provinces, workshops reached their peak with the role-play. Some groups developed extensive plans in a very short time, indicating planning skills and a detailed knowledge of the water service. Participants were caught somewhat off guard by the harshness with which 'neo-liberal municipal managers' interrogated their plans. But in every province, participants agreed that the exercise was useful in terms of beginning to think about how to restructure service delivery and how to engage management. Participants repeatedly made the comment that 'this is exactly how management acts.'

Perhaps the most interesting event in the role-play occurred in Northern Province. On the first day of the workshop, a participant produced a letter indicating that the Polokwane municipality planned to put out a tender for street cleaning. No one from the union had been informed of the tender.

Instead of using the standard role-play, one group was given the letter and asked to draw up a plan to which the union would respond. A detailed plan was drafted, including a proposal to involve shopstewards in research on cleaning work. Since the Polokwane branch chair and the head of the provincial restructuring committee attended the workshop, it was decided to declare a dispute the next day. The tender initiative was blocked – a quick and measurable outcome!

Outcomes and analysis

Not all outcomes of the workshop were as plain as the Polokwane example. And given the number of municipalities represented, a comprehensive follow-up is difficult. However, the workshops seem to have highlighted a number of challenges facing the union and moved some provinces and branches towards solutions. Not long after the Western Cape workshop, the Cape Metro branch initiated participatory research involving shopstewards.

On 30 May, shopstewards from every depot in the three trading services came to the offices and outlined developments at their depot. A report was compiled and six depots were chosen as sites where a fully-fledged internal restructuring plan would be developed by the union.

In Polokwane, the municipality tried to outsource other functions after the street-cleaning debacle. However, the union secured a written undertaking from the mayor, Thabo Makunyane, that no function or section of council would be privatised and that no job cuts were contemplated

While this represents progress, it is far from adequate to deal with the onslaught against public sector service delivery. Such workshops can help a critical layer of leadership to develop alternatives. Moreover, meeting and reflecting on service delivery is imperative, given the overwhelming tasks confronting the union on workplace issues. For the union to defend its members' jobs and improve service delivery, more education and research will be needed. But ultimately, the struggle will not be won with education and research.

The issues and debates covered in these workshops need to filter down to the shopfloor. In virtually all the workshops, participants recognised that they, as leaders, were well informed But those on the shopfloor, particularly in smaller, more rural municipalities, often operated almost alone.

Also, as every workshop and virtually every successful international struggle for public sector delivery indicated, the union must build stronger ties with communities As DJ Khoza, North West provincial chairperson said: 'We have distanced ourselves from the community…we are right to say every struggle of SAMWU is a struggle of the community.'

In the absence of strong community structures like the civics of the 1980s and 1990s, building these alliances can be difficult. But working-class communities countrywide are gearing up for action on service delivery issues. In many instances, some of their hostility is directed at municipal workers whom they view as privileged, inefficient or both The privatisers are exploiting such feelings to promise employment for community members in projects that transfer service delivery to a transnational corporation or black entrepreneur

SAMWU has tried to forge links with communities in a number of ways including participating in the anti-privatisation forums in the Western Cape and Gauteng Several other provinces spoke of setting up such structures. While such forums may be important, the real challenge is to extend their influence beyond a narrow circle of dedicated activists. And while the forums are addressing issues of public sector delivery, their very name indicates that their focus is to combat privatisation ★

John Pape is the ILRIG project coordinator He and Mthetho Xali facilitated the workshops This education programme was linked to the research programme of the Municipal Services Project

Cut-offs and privatisation

Soweto fights back

Rob Rees looks at the struggle against electricity cut-offs and privatisation.

In early 2000, activists from Soweto formed the Soweto Electricity Crisis Committee (SECC) This was done to fight Eskom's programme to cut off electricity Initially based in Pimville, Diepkloof and Orlando, the SECC has now expanded to other areas of Soweto. In the last year, the SECC has embarked on increasingly militant action This has attracted people, no longer willing to sit around whilst Eskom steals their basic needs so it can recover costs from the working class

The SECC is affiliated to the Anti-privatisation Forum (APF) The APF consists of unions, community organisations and non-governmental organisations that are against privatisation and prepared to fight it The APF was formed in July 2000 when two battles against privatisation united the outsourcing of services at Wits University and the Johannesburg municipality's iGoli 2002 privatisation plan

This article shares the story of some of the SECC action This is done against the background of the planned privatisation of Eskom and the non-delivery of the ANC promise of free electricity

Take control

The struggle of the SECC is not just about electricity cut-offs It is about challenging the bosses' politics and power that lie behind the ANC's restructuring of electricity In doing this, workers and youth are part of a new movement rebuilding their own future with hope and confidence and regaining control over an important part of their lives

A corporatised Eskom

Eskom is the government-owned parastatal responsible for 97% of South Africa's electricity. In March, Eskom announced its plan to cut the electricity of over 130 000 Soweto houses that had not paid for electricity and arrears

By cutting the electricity to these houses, Eskom hopes to increase its profits This will help Eskom prepare for corporatisation. Corporatisation, as specified in the Eskom Conversion Act, means Eskom will become a company that pays tax and profits to the government

Eventually, the government wants to privatise a third of the power generation market. Privatisation will allow companies to invest in power stations and make profits from supplying electricity However, the potential investors are not satisfied with Eskom's current profit of 10c per rand These investors demand 16c per rand (Currently Eskom electricity prices are amongst the cheapest in the world) So Eskom's chief executive officer, Thulani Gcabashe, has said that the price of electricity must increase.

Operation Khanyisa

The Eskom cut-off campaign accelerated in Soweto this year. Unidentified personnel, often subcontracted and assisted by armed police and private security guards, implemented the cut-offs. The SECC responded by calling for a defiance campaign, called Operation Khanyisa (Operation Light-up). Several well-attended mass meetings held in Soweto earlier this year endorsed Operation Khanyisa. As Eskom cuts electricity, activists reconnect working class and poor households. In some areas, Eskom cut-off teams have clashed violently with residents.

The electricity cut-offs cause untold hardship to workers and the poor. It results in food rotting, health hazards related to medicines that require refrigeration, and cooking difficulties. The cut-offs generally worsen what are already very difficult circumstances

Operation Khanyisa is spreading through other APF affiliates to the townships of the Vaal and the East Rand.

SECC demands

The feeling of the mass meetings was militant and defiant. Many older residents attended. Their only household income is a small state pension of R570 per month of which they use as much as 40% to pay for electricity But increasingly attendance came from a layer of youth that are unemployed and determined to defend their families and communities

Research commissioned by the SECC shows that most households cannot afford to pay their electricity bills or their often-huge arrears. Many residents owed Eskom over R10 000, which given their income was impossible to pay. Others had monthly bills of R7 000, which were clearly inaccurate. So the SECC called for:

- the scrapping of electricity arrears;
- a halt to the electricity cut-offs (which in some areas included clinics and schools);
- an end to corruption in payments and reconnections;
- proper and accurate billing and the checking of faulty metres;
- affordable electricity and free electricity for pensioners – the rich must subsidise the poor;
- the immediate implementation of the ANC promise of free electricity; and
- consultation with residents, taking their needs and dignity into account.

Free electricity

Many residents felt that the cabinet-adopted 50Kwh of free electricity per month was too little. *The Star* determined that 50Kwh will only allow you to boil a kettle for ten minutes, 17 times a month A debate on the ground should decide how much electricity should be free. Current discussions suggest that 200Kwh is more in line with the needs of the working class.

As part of the APF, the SECC has also had discussions with other communities about the problems associated with 'free' electricity. These relate to the following:

- The ANC has not yet fulfilled its promise of free electricity. Eskom will only implement free electricity next year, following upgrading
- The working class will pay for the 'free' electricity, through bigger price increases for those that consume more than 50Kwh
- The free electricity will only be implemented once users pay their arrears. Thus, the poor will probably never get free electricity.

- The ANC plan to privatise electricity will mean higher prices to satisfy the demand for profits from the investors. The government's own consultants predict a price increase of between 22 and 50%.

Cartoon: Vusumuzi Mtawande

Mass action

In pursuit of its demands, the SECC has marched to the Jabulani municipal offices in Soweto twice already. More than a thousand people participated in the march on 9 June. A number of mass meetings were held to prepare for this march.

At the Jabulani municipal offices, the SECC presented memoranda addressed to Amos Masondo, the mayor of Johannesburg. The memoranda were addressed to Masondo because Johannesburg contracts Eskom to supply electricity to Soweto. Masondo has not yet replied to the demands of the SECC.

On 16 June, as President Thabo Mbeki marched to the Hector Peterson memorial, the SECC demonstrated. It called on Mbeki to deliver free electricity and stop the cut-offs.

More recently, the SECC attended the Eskom stakeholders meeting. This meeting is Eskom's attempt, say SECC activists, to legitimise the cut-offs. At the meeting the SECC felt that Eskom ignored their demands. And so, following a caucus with the community representatives, started an occupation of the Eskom offices.

Following the sit-in, Eskom called pensioners to special meetings. The pensioners were told to bring their pension cards and the title deeds to their houses. Eskom is trying to secure direct deductions from their pensions. This would mean pensioners could lose their houses should they fail to pay or die leaving a debt. The SECC has strongly opposed this.

Join the APF!

The SECC and the APF is recruiting workers and shopstewards to Operation Khanyisa and the affiliates of the APF. So it sent a letter to the leadership of COSATU-Wits, asking to address the recent COSATU-Wits Shopsteward Council. However, the COSATU-Wits leadership did not reply to the letter. So the APF set up a table and pamphleted those shopstewards attending.

The call from the APF was quite simple: 'The APF supports COSATU's fight against privatisation, particularly of Eskom. Let us then unite and fight the ANC's policy of privatisation and delivery to the bosses.' ★

Rob Rees is SAMWU-Gauteng restructuring coordinator and an activist in the APF. He wrote this article in his personal capacity. If you want to join the SECC or the APF call 072 152 4220 or (011) 339 4121.

Cleaned out

outsourcing at Wits University

***Lucien van der Walt, David Mokoena and Sakhile Shange** consider the consequences of the retrenchments at Wits University last year.*

On 2 July 2001, Norma Reid replaced Colin Bundy as vice-chancellor at the University of the Witwatersrand. Her appointment takes place a year after the retrenchment of 613 support service staff. This amounted to a quarter of Wits' 2 377 employees. This massive layoff was part of the ongoing, and controversial, Wits 2001 restructuring programme.

In this article, we examine the consequences of Wits 2001 for the 613 retrenched workers, and consider whether Reid will redress the situation.

Wits 2001

Origins of the programme

In 1999, Wits employed a team of consultants, the University Management Associates (UMA), who had to investigate options for restructuring the university's support services. UMA completed the Support Services Review, which cost R4,5-million, by early 2000.

At the same time, a Task Group on Restructuring investigated academic restructuring. On 27 September 1999, the Task Group took its recommendations to the university's senate.

The Task Group argued for the rationalisation of academic structures. It proposed that the existing nine faculties merge into six headed by executive deans, and that the existing 99 departments collapse into 40 schools. The senate recognised that it was 'probable' that the rationalisation 'could have staffing implications'.

Two days later, the university's council established an Academic Restructuring Review Committee to take the Task Group's recommendations forward. This committee's brief included the size of academic entities, appropriate staffing levels, and staff:student ratios. The university would implement the recommendations over three years.

At faculty level, Academic Planning and Restructuring Committees would propose measures for implementing the restructuring, which the new executive deans would implement.

The programme

In October 1999, Wits announced that a team was in place to coordinate the Support Services Review and academic restructuring through a programme called Wits 2001. This programme was designed to reposition and restructure the university to meet the educational challenges of the 21st century

What would the new Wits look like? A 1999 strategic plan argued that Wits should be able to compete for funding, staff and students with other universities Wits also had to become more cost-conscious and less reliant on external funding It would do this by finding new sources of funding These include a 'university company' to generate income from intellectual property and entrepreneurial activities across the university.

Wits 2001 was perfectly consistent with the ANC's macroeconomic plan, Gear Gear advocates 'reductions in subsidisation' to higher education and 'greater private sector involvement'

Focusing on 'core' activities

On 25 February 2000, UMA presented the key recommendations of the Support Services Review to the university's council The main idea of the recommendations, already endorsed by central management, was to outsource five major support services: cleaning, catering, maintenance, grounds and transport

According to UMA, this restructuring would save Wits about R30-million over five years (UMA later increased this to R68-million, with no explanation for the revision)The restructuring would also bring in new management expertise, improve services and free up money for Wits' 'core' activities, the potentially more profitable areas of research and education

UMA cynically claimed that support workers would actually benefit from outsourcing UMA argued that outsourcing would provide 'greater career opportunities, training and accreditation' as well as 'a degree of employment stability' when contractors re-employ the workers

UMA, had to admit, however, that outsourcing had 'human resources implications'. It meant closing down the existing support services, and retrenching all the staff

Council approved the recommendations, and voted, in effect, to retrench 613 support service workers on 30 June 2000

The union

A hard fought and principled campaign was launched against the retrenchments

NEHAWU, representing the affected workers, refused to agree to the retrenchments The union took the matter to arbitration, arguing that the university did not consult it properly The case is currently heading for the Labour Court

NEHAWU's media officer, Moloantoa Molaba, insisted the union would 'never allow a destruction of a public asset in the narrow sectarian interests of privatisation'. NEHAWU members picketed the university on a daily basis, and held several protest marches and meetings.

Protest

Students and academics held several mass meetings about the retrenchments The Lesedi Socialist Study Group held two meetings, whilst the South African Students Congress (SASCO) held meetings and marches in February and June. SASCO, the Postgraduate Association and the Students Representative Council also occupied Bundy's office on 20 June.

Splits appeared amongst the academics The Academic Staff Union of Wits University agreed to the support staff retrenchments – these did not affect its own members

However, a 'concerned academics group' organised several meetings against Wits 2001 The 'concerned academics' also developed a detailed critique of the Support Services Review They argued that its proposals were biased, ill-informed and would entrench apartheid inequalities as black and women workers would be the main victims.

The 'concerned academics' presented their critique to a special session of council on 2 June 2000.The council did not give the academics real rights to participate and rejected the critique Significantly, it was Saki Macozoma, ANC national executive member and then-director of Spoornet, who rallied council to continue with the outsourcing.

Retrenchment

And so, on 30 June 2000, Wits retrenched 613 workers. By the end of the year, more than 30 academics were also flushed out of the system, mainly through early retirement and the freezing of posts.

There was one consequence for Bundy's administration. In July 2000, Wits University and the Greater Johannesburg Metropolitan Council co-hosted the international 'Urban Futures' conference. It attracted substantial protests from the newly formed Anti-privatisation Forum (APF) The APF is a merger of the Anti-iGoli 2002 Forum, a coalition opposed to the city's iGoli 2002 privatisation plan, and the Wits University Crisis Committee, opponents of Wits 2001.

Living with Wits 2001

Bundy's administration, like the UMA consultants, practically presented the retrenchments as a favour to workers. Bundy insisted Wits was providing 'generous severance packages' and a 'comprehensive social plan' to ease the impact of the retrenchments. Despite NEHAWU's pending legal action, Bundy also claimed the support service restructuring had been 'highly consultative'.

Of course, Bundy, who earned R59 000 per month plus benefits, was not being retrenched.This made it easy for him to dismiss the concerns of workers and to describe the restructuring as 'no gain without pain'.The pain, after all, was not his.

Wage cuts

In our interviews with support service staff affected by restructuring, we uncovered the real pain.

It is true, as Bundy claimed, that the outsourcing companies re-employed several hundred retrenched workers However, Bundy failed to mention the conditions under which these workers were re-employed.

As Wits employees, cleaning staff earned R2 227 per month.They had access to the university's medical aid scheme and pension fund, and staff loans Like all Wits employees, their children were entitled to study at the university for free.Workers employed by Supercare, the outsourced cleaning company, told us that they now earn R1 200 per month – and this without any benefits

This represents an enormous impoverishment of working class people. 'We are desperate,' a cleaning worker told us.'We are so unhappy How can we make ends meet?'

Another worker from KwaZulu-Natal, as the sole breadwinner, sends money back to his family.These wage cuts, however, mean that it is difficult to support his family and cover his living costs in Gauteng.

A similar situation exists in the catering section Wits workers could earn slightly over R3 000 per month, in addition to Wits' benefit schemes.When Fedics took over the catering department, workers' wages decreased sharply. In the main canteen, the wages fell to R1 200 in 2000, and benefits disappeared. In early 2001, as La Dulce took over, wages decreased further to R1 000

So desperate are the workers that they have nonetheless chosen to continue working for the contractors A working mother told us 'It is better than staying at home with kids having nothing to eat'

Wits outsourced its cleaning workers

Working conditions

In addition to wage cuts, workers also complain of intensified workloads, worse working conditions, unpaid lunch breaks and a stricter regime of supervision and discipline.

Cleaning workers in the student residences are particularly bitter There, the number of workers per floor has been reduced drastically

Some cleaners working with strong chemicals claim that inadequate safety equipment is provided to them 'After you have used the machines, it feels like you have flu,' a women worker told us

Cleaners described the management as 'very strict'. 'They don't care if you are old,' says a woman worker, 'they just boss you around like you are stupid'

Workers felt very insecure in their jobs 'You cannot tell where you are going with these companies,' a male cleaner told us 'We are just casuals and can be fired at any time,' says another

It is partly for these reasons that workers insisted on staying anonymous in this article

The work itself is very boring, with few opportunities for advancement. Workers complained they do not 'have to bring their brains to work'. According to a male worker, 'the job is highly manual, and too routine. There are no chances of growing within the job'

Belonging to a union

One of the immediate consequences of the retrenchments was a massive decline in NEHAWU membership at Wits Wits retrenched over 400 union members – nearly half the membership – including three shopstewards

The effect of the outsourcing has also been that entire departments have been removed from Wits' bargaining unit, and the effective deunionisation of a large sector of the Wits workforce And, whilst some Supercare workers attend NEHAWU meetings, the union has not been able to recapture its lost ground

Workers remain loyal to the union 'Yes,' a worker said, 'this union has been with us during the bad times Even now it tries to find jobs for us when vacancies arise on campus' Many hope that the union's pending Labour Court action against Wits will improve their situation.

MESHAWU, affiliated to the smaller NACTU, has made an effort to unionise Supercare. According to a MESHAWU shopsteward, the union does not yet have a formal agreement with Supercare. However, it has tabled demands for a wage increase. Management has made a lower offer, and, so, the matter is with the CCMA.

The exclusion of the Supercare workers from the Wits bargaining unit, and the division of the outsourced workers into different companies, means that the possibility of a campus-wide response to management stubbornness is bleak for now.

The unemployment prison

The picture of the workers not re-employed in the outsourcing companies is even worse.

'It was painful to lose the job, not knowing where, how and when you are going to get the next one,' an unemployed former Wits worker told us. Some retrenched workers claimed that they were unable to take their children back to school in 2001. They also claim that putting food on the table, and paying for electricity was very difficult.

Several of the unemployed complained that the Wits management did not care about their situation They believed the management thought only of themselves and the image of the university, and knew that their salaries were 'huge', their jobs safe, and their children healthy and secure.

A former worker put it as follows: 'The inhumanity of the Wits management has shown that rich people do not care about poor people.' She had been at Wits for 15 years, and was now in a crisis. It was very painful to hear an older former Wits worker lament that his children would never attend Wits now, as he lacked the money to send them to the university where he had worked so many years

No justice, no peace

Working class people paid the price for Wits' new image and repositioning in the market. And social justice for the working class will not be high on Wits' agenda in the near future.

Norma Reid has already advocated 'working with the business and commercial sectors in mutually advantageous schemes for wealth creation' and the 'commercial exploitation of intellectual property'. She takes office on the eve of a process of administrative staff restructuring

In the neo-liberal era, class war from above underlies all economic 'commonsense'. Social justice, evidently, is not very profitable, whether at Wits, in greater Johannesburg, in Harare, or in New York.

In this context, working class resistance and unity, and the championing of social rights and worker control of production, is a necessity. As the anarchist militant Severino DiGiovanni commented in the 1920s, 'the right to life is not given – it is taken'. ★

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Lucien van der Walt lectures in Sociology at Wits, and is a member of NEHAWU and the APF. David Mokoena and Sakhile Shange are final year students researching the impact of Wits 2001.

Socioeconomic protest: section 77

Other articles in this edition of the *Bulletin* focus on the section 77 notice that COSATU has tabled at Nedlac regarding privatisation This portion of the legislation has been used quite often since the introduction of the LRA in 1995 Yet, a high degree of confusion still exists about it, amongst both employers and employees

Socioeconomic protest

Section 77 of the LRA gives workers the right to take part in protest action to promote or defend their socioeconomic interests According to section 77, Nedlac, as a policy-making body made up of government, business, labour and the community, has to bring the parties together to resolve the reasons for the protest action If dialogue between the parties cannot resolve the issues, workers can voice their unhappiness in protest action This action is protected against dismissal and other disciplinary action The nature, date and duration of this protest action must have been previously specified

In considering whether a notice is valid under section 77, it is important to consider whether it relates to a socioeconomic interest or a mutual interest. Matters of mutual interest do not fall within the scope of section 77. These are matters between employees and employers and include wages and conditions of service. Internal procedures, bargaining councils or the CCMA deals with disputes on matters of mutual interest.

Matters for socioeconomic protest action usually relate to some aspect of public policy that affect more than one sector Thus, the parties at Nedlac consider these issues at a senior and national level

The provisions of section 77

- The body tabling the section 77 notice must be a registered trade union or federation (Section 77(1)(a))
- The notice of protest action has to be on a specific form This form must include the reasons for and nature of the intended action (Section 77(1)(b)) This does not include specifying a date of intended action Otherwise, it might undermine the process of consensus-seeking
- The matters giving rise to the notice must be considered in Nedlac, or another forum where the parties can participate so they can resolve the matters (Section 77(1)(c))
- Thereafter, if attempts at resolution fail, the union or federation must serve a second notice on Nedlac of its intention to continue with the protest action The union or federation must serve this second notice at least 14 days before the protest action starts (Section 77(1)(d)) One of the reasons for this 14-day notice period is that the cost of socioeconomic protest action is usually greater than that of a strike Therefore, parties must be given adequate warning

Employers do not have to pay their

employees if time off work is involved. However, employers have to allow the employees to take the time off. These employees are protected from disciplinary actions.

If the affected parties believe that procedures have not been followed, either substantive or procedural, they can apply to the Labour Court for a determination. The Labour Court will then decide whether there has been compliance with the LRA.

'Proudly South African'

The 'Proudly South African' campaign, which originates from a Jobs Summit Agreement in 1998, is steaming ahead. The campaign aims to increase demand for South African goods and services. This increased demand will then stimulate growth and help to create jobs.

The four Nedlac constituencies have appointed Martin Feinstein, former chairperson of an advertising agency, as chief executive officer (CEO), and Tim Modise, well-known journalist, as chairperson of the board. The Nedlac constituencies have also appointed to the board. They are:

- for labour, Willie Madisha, COSATU president, and Cunningham Ngcukana, NACTU general secretary,
- for business, Kevin Wakeford, South African Chamber of Business (SACOB) CEO, and Neil van Heerden, executive director of the South Africa Foundation;
- for government, Alistair Ruiters, director-general of the Department of Trade and Industry (DTI) and Bahle Sibisi, deputy-general of the Enterprise and Industry Development Division of the DTI,
- for the community, Khulu Mbongo, secretary-general of the South African Youth Council and Maria Rantho, former chairperson of the Disabled People of South Africa

The new CEO will head up a section 21 company, which is currently being established. It will have eight permanent staff, and will initially operate from Nedlac's offices in Johannesburg

The CEO will approach a group of high-level patrons, as well as 'ambassadors' in key commercial sectors. Work has already been done to ensure that the campaign is linked with other South African branding initiatives. These include initiatives by South African Tourism, the International Marketing Council and Trade and Investment South Africa.

Executive director of Nedlac, Phillip Dexter, said it was important that the CEO had extensive marketing experience: 'Proudly South African will include a public awareness campaign, competitions in schools, promotions in retail chains, getting satisfied tourists to pledge to buy South African products at home, and many other activities.'

More than R50-million will be used to promote awareness of the Proudly South African brand through television, print advertising, radio and public relations in the first year. The funding for the campaign will come initially from government and business. Thereafter, revenue from fee-paying members will gradually replace this

Feinstein is excited about his new job: 'Proudly South African will make a real difference to our economy. When they see the Proudly South African logo on a product, consumers will know that it comes from a company committed to quality and service. Consumers will also know that it satisfies our criteria for local content, environment and labour practices. People who buy Proudly South African products will be creating jobs, putting money back into the country and supporting South African companies.' ★

Not quite 'pap and vleis'

McDonald's in South Africa

Chris Bolsmann and Etienne Vlok establish what goes on underneath the 'Golden Arches' of McDonald's.

In 1955, Ray Kroc opened the first McDonald's restaurant. Today McDonald's is the world's largest and most recognisable fast food chain. It has 28 000 branches in 120 countries.

Forty years after Kroc, the first McDonald's opened in South Africa in November 1995. At present, 100 restaurants operate in eight provinces. Gauteng alone has 46 branches. South Africa has been one of McDonald's most successful markets. Thirty restaurants where opened in 23 months, ten of those in 78 days.

Thinking of opening up a McDonald's? You would need a start-up fee of R1-million.

Why McDonald's?

But McDonald's is not just a fast food' restaurant. It represents much more.

McDonald's has been a target of pro-Palestinian demonstrators in Cape Town, of anti-globalisation protestors in Prague, of unhappy French farmers in Paris, of participants in May Day activities in London and of unionists demanding collective bargaining agreements in Auckland and Moscow.

McDonald's has hit back. In the United Kingdom (UK), it sued two environmentalists for libel. These environmentalists handed out pamphlets making accusations that the restaurant chain disputed. The case, known as McLibel, is the longest running civil case in UK history.

So is McDonald's an unfair target? According to a recent book, *Fast Food Nation*, McDonald's serves meat originating from dairy cows that are fed horse, pig and poultry remains. Other accusations, such as the use of addictively high amounts of salt and sugar, exist.

McDonald's has also been accused of union-bashing tactics around the world. Recently, it was linked to City Toys, a factory in Shenzhen, China, who employed children as young as 13 years, paying them R20 a day. These children produced the toys that McDonald's gives out with its children's meals.

McDonald's symbolises the spread of multinational corporations' impact and the increasing effect of globalisation on all of us. Based on the significant role that McDonald's plays, we interviewed the manager of one of the largest branches in South Africa. Our questions were on McDonald's employment practises, its work organisation, and its industrial relations.

The union that organises the catering sector is SACCAWU Therefore, we got its response to McDonald's answers SACCAWU, with a membership of 120 000, does not have any members in McDonald's

Employing people

The first thing you notice when you go to McDonald's is that almost all the employees are young and black. Why is this? 'We hire mostly black people because it is cheap labour and they need the jobs,' replies the manager. 'I have worked with white kids in South African restaurants. To be honest, they do not want to work. They do not want to get their hands dirty and are afraid to work.'

The manager, who has more than ten years experience in the industry, knows who he wants when he employs. 'I want someone who can speak very good English because it is an English-speaking environment. I also want attractive, young people. They have to be over 16 years. Young people are more energetic. People who are about 35 do not want to be promoted and McDonald's is a dynamic environment. If you have two restaurants with ugly people in one and attractive people in the other, you are going to eat where the attractive people are. I do not mean to discriminate It is just a fact of business.'

When someone is employed, he or she has to get a medical certificate to show that he or she is not carrying any major diseases that could threaten food handling. The manager insists that McDonald's does not check for HIV/AIDS.

The manager shows new employees how things work They then do a crash course on McDonald's policies, receive a book on hygiene and work with an established worker for a few weeks.

Employment contract

All workers start as part-time crewmembers and are then promoted to full-time, depending on the needs of the business. When McDonald's employs someone full-time, his or her wage is R9,45 an hour. On top of that, workers are entitled to a meal every day and get a funeral benefit. Once you become a manager trainee, you receive other benefits, such as medical aid.

Part-time workers work 20 to 25 hours per week. Full-timers are guaranteed 40 hours per week – five 8-hour shifts McDonald's has two shifts: a morning shift until 4pm and a night shift. This manager likes to have more part-timers because it gives him 'flexibility in scheduling'. He tries to give workers only two night shifts a week. 'If I had to give someone five night shifts, they would complain to the company's human resources department.'

Mduduzi Mbongwe, deputy general secretary of SACCAWU, disputes this He accuses McDonald's of signing three-month contracts with its workers. 'McDonald's does not have permanent staff.'

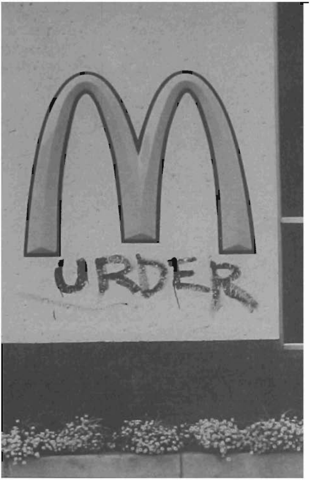
The manager explains: 'When you employ young people, they often go onto different things – university, college or a job that pays more. We do not have a high monthly turnover. I never hire more than three people at a time, four times a year.'

Work organisation

Ray Kroc, McDonald's founder, is famous for his statement 'If you've got time to lean, you've got time to clean'. So, what happens inside McDonald's?

If there is a problem in the restaurant, the relevant wing manager must identify the barrier to service. 'When someone is a bit slow, we try to find out what the reason could be. It is often because people are not trained properly or pushed into a position too soon. It could also be that there is something wrong with the person on that day,' explains the manager.

If you are in a McDonald's and you look beyond the counter, you will see boards with targets and records. These and the systems McDonald's uses come from the United States. The targets concern the number of cars that pass through the 'drive-thru' in an hour and whether 'drive-thru' customers immediately receive their orders once they reach the final window. According to the manager, the targets, along with incentives and competitions, try to make the restaurant a fun environment in which to work. 'I personally think there is too much of this. People lose sight of what they are supposed to be doing.'



Pic: Chris Bolsmann

McDonald's in Auckland Park, Johannesburg was a recent target

Industrial relations

SACCAWU regards McDonald's as the worst multinational in the fast food sector in terms of industrial relations and dealing with trade unions. In this section, we look at the relationship the manager has with his employees and his attitude to unions.

Relationships

'I have an "open-door day" when I am available for staff to discuss their problems with me. I will look at it from the management's and the worker's point of view. I am more of a councillor.'

Each restaurant has a 'rap session' three times a year: a consultant from another restaurant will sit down with the workers only. The workers then give their opinions on different aspects of the restaurant. The manager then gets a report of the meeting and has to come up with an action plan to solve any problems.

Incentives are an important part of good relationships for this manager. 'If it is quiet and going well on a Saturday afternoon, I will announce that the person with the cleanest work area will receive a prize. An hour later, I will inspect the areas and give the winner one of the new ice cream desserts or some lottery tickets. They love it. The first week I did it, six people won. If it is a full timer, I might give him or her the rest of the day off. Cash incentives are normally the best as "money talks". I would take R50 from the petty cash and ask "Who wants this?" and you will see a transformation.'

The manager regards the benefits of incentives as increased productivity, increased morale, and loyalty He explains: 'You have to be clever and that is why I get on well with them We have outings to a resort. We provide footballs, braai meat and beers There is music on.'

'It is the way you treat your staff If you look after your people and are good to them, then they will see that and help in any way If you are always messing them around, they will not care and just walk off. It is down to the relationship you build with your staff,' continues the manager.

What happens if someone is not performing? The manager says that he does not get rid of a worker who cannot keep up 'You can put them on a performance improvement programme for a month. If they still fall short, then you could get rid of them. However, it is very rare that our human resources department would allow you to do that. They would rather identify the problem and try to solve it. If you think of the cost involved in hiring people, training them and providing uniforms, it is an investment. It saves more money to get the person retrained than to sack them'

Dumisani Dakile, SACCAWU's regional organising, campaigns and collective bargaining unit coordinator, does not believe this 'It is not true that they go for intensive training. Because of the nature of this industry, workers do not require a lot of training'

Dakile also does not believe in the use of incentives. He says that incentives do not work. 'You can put incentives there but it is not workers who say customers must come in. Workers do not have any control over this issue. As time goes on, workers will realise that there is a carrot but that they have never been able to get it.'

No place for unions

Dakile doubts whether McDonald's adheres to labour legislation. 'If you look at the hours workers work there, it does not adhere to the BCEA. Workers are supposed to work 45 hours but at McDonald's they sometimes work more than 12 hours a day.'

However, according to the manager, the human resources department at McDonald's head office checks up whether the restaurants adhere to the legislation. This department looks after employees' rights. Each manager has a labour relations handbook and attends a seminar on labour legislation.

Dakile continues: 'McDonald's also does not adhere to the issue of freedom of association. We do not have a single McDonald's organised. Internationally, it is also not easy to organise McDonald's.'

The manager confirms that unions do not organise his restaurant. No unions have even approached his restaurant. 'I do not know how we have managed to keep unions out but I am happy about that. Organising the workers never really comes up. However, I will not dismiss people if they started organising. It would not be my right to do so. I would possibly tell the franchise owner about it.'

'Normally unionisation only happens because you have problems and people are unhappy about working conditions. So, identify the problem before it gets to that stage. A lot of the workers are happy with their job. They work in a clean warm environment, get regular wages and go on outings. They are my workforce and without them, I am nothing. I have to keep the workers happy,' explains the manager.

It is clear that McDonald's adopts a human relations approach to management. This approach supposedly emphasises the needs of the employees. It is in line with McDonald's vision to 'be the best

Pic Chris Bosmann

McDonald's represents much more than a fast food restaurant

employer for our people in each community around the world' Yet, what emerges is a picture of a paternalistic, union-unfriendly working environment

How does SACCAWU counter this approach where the manager looks after the employees? According to Dakile,'some workers tell you they do not need a union Three months down the line, they phone you As time goes by, they realise that there is a need for a union'

SACCAWU and the sector

According to SACCAWU, it is not easy to organise in the restaurant sector due to a few reasons firstly, people from neighbouring countries are employed in this sector. It is difficult to organise those workers as management often intimidates and exploits them Secondly, the sector does not have clear structures Thirdly, workers work abnormal hours Dakile illustrates 'This year, we have tried to convene a shopstewards council three times but their working hours prevent them from participating Many shopstewards only knock off at 10 or 11pm'

Despite this, SACCAWU is quite well organised in other fast food restaurants For example, it is organised in KFC and Steers SACCAWU also has a collective bargaining agreement with Nando's

SACCAWU and McDonald's

Why has SACCAWU been unable to organise any of the 100 McDonald's restaurants in South Africa?

Mbongwe attributes it to the three-month contract the workers allegedly sign 'After three months, McDonald's can renew the contracts Thus, the workers are vulnerable If they do certain things, their contracts will not be renewed The short-term contract is an international thing It means that employers do not have to go through disciplinary actions when they are unhappy with an employee They also exempt themselves from the BCEA and the LRA with short-term contracts It also means it is difficult to organise McDonald's because of its high staff turnover.'

'McDonald's employs young workers from school who are vulnerable and cannot negotiate a contract.They use South Africa's high rate of unemployment to put pressure on new employees,' adds Mbongwe.

Dakile agrees with Mbongwe:'If you wait for workers after their shifts, they do not want to speak to you once you disclose you are from the union.The workers sign a contract with McDonald's to say that they are not supposed to be a member of a union'

In the past, when SACCAWU had tried to negotiate with McDonald's, the union realised the company was not in the bargaining council

Other fast food outlets, such as Nando's, Steers, Chicken Licken and KFC, are all part of the bargaining council. Says Mbongwe:'When we tried to meet with McDonald's, they dragged their feet to ensure that the workers lost hope or disappeared after their contracts ended'

Dakile points to another factor that could have attributed to SACCAWU's inability to organise in McDonald's He says the union does not allocate enough resources to organising this sector 'Only when the leadership of the union takes the sector seriously, will we see something Sometimes a local organiser will sacrifice whatever appointment they have in this sector to concentrate on another sector. Because of the difficult nature of the sector, the union dismisses parts of it Some people feel very strongly about this sector'

McDonald's as a target

As was mentioned earlier, McDonald's has often been a target for different groups.

The manager we interviewed argued that 'It is never justified that McDonald's is a target of protests. How can you justify going around smashing windows? Most of the people that do this do not know the facts McDonald's does charity work and is involved in the environment on a large scale. All the packages we use are reusable, recyclable and CFC-friendly. We do not cut down rainforests for cattle. But this goes unnoticed because we do not advertise it. Many of these protestors are people wanting to have a go at America. Nothing on earth epitomises America like McDonald's'

So will South Africans ever use McDonald's as a target? Dakile does not think so:'It would be difficult to organise boycotts of McDonald's It is the cheapest fast food restaurant and it is the only one where children can play.'

Conclusion

We chose to focus on McDonald's in this article because of its stature in the world. Not only is it one of the largest multinationals with one of the most recognisable names, it has a reputation as a union basher, as an abuser of the environment and as a producer of unhealthy food. Yet, this company hides behind its public relations image of being a fun restaurant and a friendly work environment.

SACCAWU has an important role to play. It needs to engage one of the world's largest multinationals. Organising it could just mean a moral victory for those fighting the power and influence of multinationals ★

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Revive and reinvent

MWU-Solidarity's plans for growth

Luther Backer examines how MWU-Solidarity is adapting to globalisation and ensuring growth.

Taking into account unions' needs and the challenges facing them, such as globalisation and declining membership, unions have had to adapt This article looks at the example of MWU- Solidarity and its strategy for growth

Challenges facing unions

Globalisation is threatening trade unions They can react to globalisation by adopting

- global social movement unionism, which focuses on the development of strategies to resist the pressures of globalisation and promotes wealth redistribution To achieve this, unions will have to link up with civil society, left-wing allies in the government and global forces, or
- business unionism, which focuses on promoting a business strategy and business outputs – in this way accepting the logic of globalisation (Slabbert, 1999)

At the same time, various factors are impacting on union membership

Management attitudes are changing negatively This arises from its opposition to labour laws and to trade unions' continued militant behaviour in the form of strikes and stayaways Many employers would rather invest in machines than be harassed by striking workers

Various authors point at the ever-increasing number of employers using casual, temporary and contract labour Outsourcing and subcontracting is an economic reality that leads to a loss of union members

Andrew Levy (1999) holds that one of the impacts of the Employment Equity Act is the increased representativity of women in the workforce. Research has found that female labour has a lesser attachment to unions Also, affirmative action will result in the rapid advancement of employees into management and out of the bargaining units

The computer revolution has had a wide impact on almost all processes and methods at work Skills have been redefined and in some cases replaced by automation Unionisation of service industries, such as the IT industry, has been far slower than manufacturing or mining industries More and more workers are working from home, which makes them difficult for unions to organise

The most obvious effect is that unions' ability to exercise control over the source of supply has decreased The unemployed threaten union members because they could undercut them in earning power

Centralised collective bargaining usually means higher levels of unionisation than decentralised bargaining. In South Africa, unions are using centralised bargaining to their advantage.

So, how has MWU-Solidarity reacted to these challenges?

History

MWU-Solidarity (formerly the Mine Workers Union) is the oldest union in South Africa It was established in 1913 in the mining industry and played a major role in the development history of white Afrikaans-speaking workers In 1990, MWU-Solidarity expanded into other sectors such as steel, chemicals, electricity and telecommunications

During the eighties and early nineties, MWU-Solidarity voiced strong right-wing political views However, in 1994 when the ANC moved into government, the union's existence was threatened Clearly, under non-discriminatory labour laws, room did not exist for a trade union to continue along racial lines.

From 1994 to1997, MWU-Solidarity stagnated because:

- its right wing image was politically incorrect;
- it was perceived to be only for blue-collar mineworkers;
- the public viewed unions negatively;
- it moved from a national role-player to a marginalised shopfloor union; and
- many of its members were retrenched or unsatisfied.

Environmental factors also impacted on MWU-Solidarity The labour market was continuously shrinking. Many white workers lost their jobs due to affirmative action or took retrenchment packages.The full might of the information revolution and globalisation also hit the country.As a result, technology replaced many workers and outsourcing and temporary employment threatened permanent workers.The amount of meetings that officials had to attend increased steeply due to the participative forums associated with collective bargaining This put greater demands on the union's services and funds. Finally, the new labour legislation benefited majority unions

These environmental factors meant MWU-Solidarity's membership decreased and its potential membership market shrunk.Also, its bargaining position on centralised bargaining councils decreased. These factors also meant that union business became more expensive. Finally, a gap developed between member needs and services provided.

An OD plan

In 1997, under the leadership of the newly appointed general secretary, Flip Buys, MWU-Solidarity implemented an organisational development (OD) plan. According to Buys, this was done 'to reinvent the union to be able to cope with the changing circumstances in South Africa'.

The union's first strategy to revive MWU-Solidarity was to amend its constitution in 1998 by removing the element of race. Membership was now purely based on freedom of association. The second strategy was a decision by its 1999 congress against aligning itself to any political party.The third strategy was to broaden the union's focus from being only a union responsible for collective bargaining and dispute resolution to becoming a service provider.This was done through a three-legged strategy, which I will discuss later.

The fourth strategy was to improve the union's infrastructure and communication In restructuring, three union offices were

The amount of meetings officials have to attend puts pressure on a union.

closed but three new ones opened in more suitable areas. MWU-Solidarity outsourced the IT service and equipped all offices with telephones, faxes and e-mail facilities. The union held meetings on the new vision countrywide, and conveyed the message through radio, newsletters and leaflets. The fifth strategy was to change the staff profile: 18 staff members left, while 21 new staff members, mostly graduates, were appointed.

The sixth strategy was to improve legal advisory services. The union appointed some well-qualified legal advisors and provided intensive labour law training to officials. The seventh strategy concerned organisational development. The union conducted team building and other planning exercises to maximise potential. The final strategy was to establish a welfare plan. To assist those members who had received retrenchment packages, the union introduced a welfare assistance programme. It consisted of financial advice, retraining and more. This plan's main objective was to counter the negative results of affirmative action. MWU-Solidarity obtained donations from employers towards this plan.

The three-legged strategy

As was mentioned, MWU-Solidarity put the three-legged strategy in place to broaden the union's focus and become a service provider also. The achievements of the Histadrut, the labour federation in Israel, were used as a model of what can be achieved in this regard. The three legs consisted of the ordinary trade union function on the first leg, financial services on the second leg and, on the final leg, development.

Trade union function

The ordinary trade union function was split into two categories: collective members and individual members. In the first category, there was mining (15% of membership), chemical (8%), electrical (13%), telecommunications (12%), steel and engineering (17%) and general industrial (17%)

The individual members made up 16% of membership in, what MWU-Solidarity called, Uniclub Uniclub was formed in 1998 It services individual members, for whom the union provides a separate infrastructure, using telephone consultation and other services.

The union density has changed dramatically Whereas MWU-Solidarity had organisational rights in 73 organisations ten years ago, 484 firms presently employ its members

Financial services

MWU-Solidarity's financial services consist of five sections The investments and insurance services deal with life insurance, disablement, savings plans and investments The short-term insurance service deals with personal, car and commercial insurance.The MWU-Solidarity National Retirement Fund is a pension and provident fund The health care section takes care of medical aid and medical insurance, while the banks and executors services assist with personal loans and estate trusts.

Development

MWU-Solidarity Development is a result of the union's broader vision and responsibility. The priority of MWU-Solidarity's development plan is to create a future for its members.This does not mean that the beneficiaries of the plan are only MWU-Solidarity members. By realising the plan, the union contributes towards building a more economically viable South Africa

The members of the union, profits from MWU-Solidarity financial services, profits from new businesses, support from the formal sector and international support finance the development fund The fund already stands at about R3-million MWU-Solidarity's aim is to have R20- million by the end of 2002 for the funding of their development plan.

The objectives of MWU-Solidarity's development plan are to develop people, create businesses and supply labour.

The development centre consists of three departments – entrepreneurship, training and retraining and career development

In the entrepreneurship department, MWU-Solidarity provides training to people who have lost their work or who started their own businesses.The union uses professional service providers to train members.

Netmark, the labour broker of MWU-Solidarity, also enhances entrepreneurship When companies outsource, Netmark plays the role of interim contractor and empowerment agent. Netmark takes over the responsibilities of the outsourced facilities until it has empowered the employees so that they can run the business on their own.

In the training and retraining department, the union ensures that members who lose their jobs are retrained and also provide opportunities for people who want to empower themselves. MWU-Solidarity has agreements with 35 professional service providers who train union members.

In the career development department, MWU-Solidarity provides career planning and development to interested members. The focus is primarily on the children of members

Business creation: MWU-Solidarity develops businesses based on the principles of profit and excellence. The union starts these businesses to create work but also to build the development fund for the financing of future projects.

MWU-Solidarity already started the following successful businesses: Netmark

MWU-Solidarity's 1999 congress decided against aligning itself to a political party

Labour Brokerage and Personnel Agency and MWU-Solidarity Legal Services. Legal Services provides legal assistance to members and other clients.

The union is currently doing feasibility studies on a small farmer project with the University of the Free State, a tourism business, a brick-making business and a R1-million job creation project in the Eastern Cape province.

Labour supply: Netmark, a private company owned by MWU-Solidarity, supplies labour to its clients through labour broking and a personnel agency. Netmark has the skills and structure to provide labour as a personnel agency or to take over contracts in full.

Netmark currently supply labour to companies like DOW Sentrachem, Samancor, Iscor and JCI Mining. Netmark has provided about 1 500 jobs since the company was founded last year.

Results of the new strategy

Membership has increased in spite of many retrenchments in the past ten years. In 1980, membership stood at 14 000. It rose steadily to 19 000 in 1990 and 38 000 in 1997. However, since 1997, membership has increased dramatically to 63 000 in 2000 and 100 000 in 2001. Presently, approximately 1 000 employees join MWU-Solidarity monthly. Women represent approximately 6% of membership.

There is a gradual move away from semiskilled and skilled blue-collar workers to predominantly skilled and technical employees in high-tech professions.

Another result of the new strategy is that the image of MWU-Solidarity has changed from local player to national player. Its new non-racial, non-political stance has improved its image.

The new strategy means that the union now offers a large variety of services satisfying a range of member needs. The union's subsidiaries, including Unifund and Netmark, have been successfully established and have already showed profits.

The union has also won a number of major Labour Court cases and this has added to the confidence in the union.

Future roles of unions

Other trade unions can learn some lessons from MWU-Solidarity's strategy for growth.

Trade unions should define a coherent strategy for growth and for survival under the ever-changing circumstances in which they find themselves This strategy could be similar to the growth strategy developed by MWU-Solidarity. Such a strategy, however, requires that trade unions show a willingness and capacity to come to terms with the realities of a globalising and liberalising world.

Trade unions' emphasis should not only be on the redistribution of wealth. Dlamini (1999) suggests they take the lead in determining and shaping the process of wealth creation.

During the 1960s, the Histadrut labour federation in Israel controlled more than 30% of Israel's economy. It achieved this by investing in the financial sector, building and construction and trade. They had their own business division and employed large numbers of people. In this way, Histadrut was a major creator of jobs.

Unions should retain the right to confront the government and employers on key issues, but not at the cost of jobs On 10 May 2000, COSATU called out approximately 50% of workers in this country on a general stayaway It was a protest against the high rate of unemployment, businesses investing overseas and the retrenchment procedures in the LRA This stayaway, however, contributed to the fall of the South African currency and cost the country millions in lost revenue. Workers also lost millions in lost wages.

It is difficult to see how industrial action, such as this, benefits job creation. Investment capital is required for job growth, and investors can only be put off by such mass action. There are other means of protesting such as picketing which can be considered and will not be financially harmful.

Provision of proper services to members can only take place provided unions train their officials, organisers, and other staff members properly. Unions' training responsibilities though go further than developing union staff. In terms of the Skills Development Act, unions have to play an important role in influencing workplace skills plans, sector skills plans and the priorities for skills development. Employment equity plans under the Employment Equity Act, also offer unions an opportunity to develop workers. Like the MWU-Solidarity development plan, unions should actively re-equip workers to make them more marketable should they be retrenched.

Returning to the choice of unionism that unions have when faced with globalisation, unions should mould elements from both approaches into a new type of unionism. This unionism should shift political aspirations to the background and participate constructively with employers to obtain job security for union members. Neither unconditional support of global social movement unionism, nor of business unionism will overturn job losses into job creation ★

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'Shed the past'

the NPI and transformation

Etienne Vlok interviews Yvonne Dladla, executive director of the National Productivity Institute (NPI).

***Bulletin:** You arrived at the NPI as a transformation specialist. What is your history?*

Dladla: I have always been fascinated by the way organisations impact on the environment and the environment impacts on organisations. This interaction affects the individual and the type of organisation that we end up with. My doctorate focused on organisational behaviour.

It was also the focus of my work. I started as a clinical social worker at a hospital. I was then a management development specialist building the capacity of NGOs [non-governmental organisations], tertiary institutions and local government. I was then appointed to do the transformation at National Parks.

So I came to the NPI with a diverse background regarding transformation. But the key issue remains the same: how do you help individuals to change their work environment. Also, how do you make the work situation support your aims as an organisation? This is critical because transformation is not only about the human element. An organisation also needs to change the systems, processes and organisational culture to transform. You transform so you can be effective at your new role.

***Bulletin:** What are the features of a successful transformation process?*

Dladla: That is a very difficult question. It varies depending on what we are trying to transform. The key feature is that you have to get the buy-in of everybody – from the top through to all levels. This is quite difficult because different people get into the process at different points.

Another feature is getting to a common vision of what it is that you are trying to transform. If you don't have a vision, you are likely to encounter a lot of problems.

You also need to identify a process of how you are going to transform. Most of the time this process is gradual – you don't know how it is going to play itself out. But it must be a process. You cannot go in today and move a chair from one corner to the other and think you have transformed.

***Bulletin:** How does one ensure real transformation takes place?*

Dladla: Real transformation must be according to the goals of key stakeholders. These stakeholders should agree on what to transform and how to transform it. If

Yvonne Dladla.

you don't know what to transform, you will be forever doing transformation.

In South Africa you have to look at key features regarding transformation The organisation, or the individuals in it, should be in line with the country's direction and vision.Also you need to shed South Africa's past and come up with a truly South African situation The organisation needs to reflect values and aspirations that every South African in the organisation can identify with.

Bulletin:* *If a company were entering a transformation process now, what suggestions would you have for it?

Dladla: Start by identifying what the company wants to transform and how it wants to do it It is also critical to specify up front what the end results will be This process should not just involve senior management.All key people inside and outside the organisation should be part of this process.That done you will come up with a shared vision.Then you need to identify key people to champion the transformation process.These people need to make sure everybody comes on board You should also create forums to determine what needs to be done, who should do it and how to do it.

I would also emphasise the communication side of it.You might think you have communicated enough but then you realise that a lot of people are still not feeling part of it.This comes up continuously as an issue of transformation because you can't communicate enough

Bulletin:* *What are the respective roles of unions, employers and workers in transformation?

Dladla: All of them are key role-players in the transformation process.Transformation will not happen without unions, employers or workers Where transformation has been successful is where they have all participated and shared the same vision. I don't think one is more important than the other.

Bulletin:* *Is transformation different in the public and private sectors?

Dladla: No, I don't think it is different. The only difference is that you are reporting to different stakeholders. In both sectors you want a South African organisation that is in line with the country itself.

In the private sector transformation needs to take into consideration the interests of its shareholders and make the organisation sustainable In this way you can impact positively on the bottom line

With the public sector the transformation is more critical because the shareholders are the taxpayers You are accountable to the taxpayers So you have to make sure that the transformation makes the organisation accessible to the taxpayers

***Bulletin:* What are the aims of the NPI?**

Dladla: The NPI's broad aim is to help companies and individuals improve their productivity We promote the notion of productivity so people become aware of it and ensure they have the right skills and knowledge and access to the right infrastructure and legislation This will ensure the country becomes productive

***Bulletin:* Why was it necessary to appoint someone like yourself at the NPI?**

Dladla: I don't know I assume that the board needed my experience and my expertise to help transform the organisation

The board wanted me to open up the organisation to South Africa and other countries As productivity is directly linked to economic growth, the board wanted to popularise the concept The board wanted to make sure it is not just an intellectual exercise.

***Bulletin:* What did the transformation process at the NPI involve?**

Dladla: We started with an exercise that looked at the vision of the NPI It involved all the staff The board and the Social Plan and Productivity Advisory Council then came up with the final vision for the organisation

They did this using the information from the staff workshop and their own workshop We regarded this final vision as the transformation vision It provided the parameters for transformation We then aligned this vision with the mission and developed a structure to complement the new vision and mission Finally, we appointed staff to implement the mission and vision

***Bulletin:* How did this process go?**

Dladla: It went relatively okay – like any other process of transformation It is not an easy thing You're not just transforming a structure but you are requesting, demanding or pushing people to change A difficulty with such a process is that change is not just an intellectual exercise It is also an emotional one and different people reacted differently to it.

There were those who accepted the change and those who sat on the fence. There were those who felt that the change was too fast for them and those who felt the change was creating a completely different environment.There were those who strongly opposed the change and those who wanted to know what was happening Those who wanted to see what was happening were actually trying to ensure that the change did not affect them negatively

Some of the people opted out and decided to leave the organisation Others tried resisting the change from within by continuously blocking it Others moved on with the changes

In summary, the NPI transformation process went as expected It was normal

***Bulletin:* In the past, workers and unions might have perceived the NPI as an employers' mouthpiece Was this justified? How are you changing it?**

The NPI wants to ensure people have the right skills and knowledge.

Dladla: We have had a lot of feedback from the unions and other people on this. They perceived the NPI as an employers' mouthpiece that looked at labour productivity from the employer's point of view rather than looking at total factor productivity. So yes, we have received that criticism and we are trying to change that.

In the new NPI we emphasise the role of the social partners, that is business, labour and government. The tripartite approach is now used in consulting and training programmes.

Right now we suggest that all the NPI employees who work in enterprises make sure they take the interests of labour and of business into consideration. It should not be one against the other.

Bulletin: The NPI is now involved in the Workplace Challenge and the Social Plan. Can you tell us about that involvement?

Dladla: The NPI's involvement in the Workplace Challenge is that of project manager. The project aims to transform the workplace and ensure employers and labour are part of this transformation process. We have been involved in quite a few different sectors already. We make sure labour and management talk about what they need to transform and how they need to do it. They also look at how they can transform the different sectors. The Jobs Summit initiated the Social Plan. The NPI provides technical support to ensure we take steps as early as possible to prevent job losses. In cases where retrenchments will take place, we find creative ideas to make sure that there is minimum job loss.

Bulletin: Has this contributed to the NPI's image changing among workers and unions?

Dladla: Yes, we have lots of examples where jobs have been saved and the unions empowered. With the Social Plan we empowered the unions to come up with alternatives to job losses. ★

Money, not mealie meal

***Rugaya Rees** speaks to **Zacharia Mobanoe**, assistant general secretary of the National Union of Farmworkers (NUF).*

***Bulletin:** When and why was the NUF formed?*

Mobanoe: During the apartheid era farmworkers were highly oppressed They did not have any representation, their wages and working conditions were bad and no wage determination existed Farmworkers were not even classified as employees We felt that they needed a mouthpiece and so in February 1988 the NUF was formed

***Bulletin:** Where do you organise farmworkers?*

Mobanoe: We organise in farming as a whole, horticulture, flowers, forestry, animals and vegetables. We organise nationally because we don't want to leave out any workers In some areas agriculture is highly concentrated, for example Tzaneen and Nelspruit. Yet workers in other areas experience the same oppression as the highly concentrated areas

***Bulletin:** How do you organise farmworkers given the circumstances in the sector such as seasonal workers?*

Mobanoe: We have a head office in Johannesburg and regional offices that are coordinated by NACTU. We also have field officers hosted in NACTU offices Where NACTU doesn't have an office we deploy an organiser to operate from home At the same time people from the head office travel to areas such as Hekpoort, Brits and so forth Being as small as we are, we have to cover a lot of space

The industry has a lot of casual workers but those casuals are not our members The farm owners say the casual workers are their people and they don't want us to organise them But the union is insisting that those workers be regarded as permanent seasonal workers Then they can become our members and enjoy the same benefits as our other members It is still a battle to make these workers aware that they are also part and parcel of the whole family because they do not regard themselves as workers

One of the farmers' strategies to weaken the trade union is to have many seasonal workers It is a means for them to pay lower wages as they ensure the permanent workers do not rise and demand higher wages The permanent workers are afraid, because they are told that the seasonal workers are looking for a job The permanent workers regard the seasonal workers as a threat. The farm owners have created a rift.

Bulletin: Does the NUF experience difficulties with farm owners?

Mobanoe: Farm owners don't always know what is happening They are confused people. It is the labour consultants who cause the farm owners to be confused and difficult A farm owner might want to cooperate, but once he has been to the consultants then things change. So in some cases we have told the farm owner to chase away the consultant so that we can reach a settlement We make them aware that the consultant is only there to collect a cheque.

Bulletin: How do the labour consultants operate?

Mobanoe: We have a lot of problems with labour consultants. As I have indicated they are willing to disorganise labour in this country They find farm owners who are ignorant in terms of the labour laws and then offer to represent these owners. So now labour consultants are representing all the farm owners The consultants make the union's job very difficult. They stall basic things like the farmer recognising the union or giving the workers basic rights. Labour consultants make our task very difficult.

Bulletin: What are your bargaining arrangements?

Mobanoe: On every farm where we operate and have signed a recognition agreement, we are formulating a team of shopstewards to bargain with the employer. This is especially the case for the big farms that operate in more than one province. Here we bind teams of shopstewards together and appoint them to decide what percentage to look for and what issues to raise.

We have gained a number of things for our members in bargaining such as an increase in their wages. On some farms where we negotiated with farmers to subsidise creches, the farmers have agreed to do this. We have managed to make farmers aware that we are their partners, not their rivals

The workers are hopeful that the union will change the conditions on the farms for them. Sometimes the conditions are disgusting I used to tell people when they talk about Burundi that they will find similar places right here in Boksburg and Germiston One does not need to look far. We have a Burundi situation right on our doorsteps. We must remember that before we give blankets and charity to victims of other countries.

Bulletin: What is the NUF's opinion on sectoral determination?

Mobanoe: We support it. It is difficult for a union to negotiate in farming because employers pay whatever comes into their head. There is no uniformity. Sectorial determination will provide a basis with which to start the negotiations

Furthermore, a number of farm owners hide behind government. The farm owners say that they pay low wages, because the government is not assisting them. We hear a lot of stories from farmers trying to justify why they pay low wages. Rather than pay more wages, they want to leave and farm elsewhere where farming is more profitable. So a wage determination will be a good thing.

Some farmers do not even pay the

Zacharia Mohanoe

workers I know a place in Rustenburg where the farmer gives the workers mealie meal, saying that is their wages The workers should be able to choose whether they want mealie meal or wages We are encouraging the workers to take the money and buy mealie meal elsewhere. However, the workers say that they don't have the time or transport to buy the mealie meal themselves

***Bulletin:** What is the position of women farmworkers and the issues facing them?*

Mohanoe: There are many challenges facing women on farms They are discriminated against because they are paid less than men Farmers also give women jobs, which they call easy jobs, and then pay the women very low wages

Women with small babies are expected to work with their babies on their backs There is no creche or safe place to leave the babies while they are working Also, when women want to go on maternity leave they are dismissed We, as the union, are fighting these things We are trying by all means to get the farmers to take responsibility for the workers

***Bulletin:** Why is the NUF affiliated to NACTU?*

Mohanoe: I need to point out that we are a project of NACTU. Until we are self-sustainable and able to be an independent union, we will be assisted by NACTU So when it comes to affiliation there is no doubt that we are affiliated to NACTU At our congress we will decide whether to remain an affiliate

***Bulletin:** How does the NUF engage government on policies that may affect its members?*

Mohanoe: We channel our grievances through NACTU or the other affiliates of NACTU NACTU guides us and is our spokesperson For example, we have raised the issue of child labour and so it is now being debated

***Bulletin:** Does the NUF have links with community organisations?*

Mohanoe: In 2000, the NACTU general secretary employed people to strengthen and restructure the union Only then could we liaise with other organisations So I am now in the process of addressing other organisations and NGOs We need to

Workers hope NUF will change the conditions on farms for them.

include those organisations Our union cannot address issues such as HIV/AIDS and child labour alone I have told the organisers in Nelspruit to look for NGOs that are operating in that area

Bulletin: *What is your position on the issue of land, for example the Zimbabwe situation?*

Mohanoe: We have not taken a position on that, but the general feeling of workers is that they are not going to be hostile as is happening in Zimbabwe. However, a Zimbabwe type of a situation will answer some of their problems For example, a worker was saying that if the union is not recognised it is better to take the farm.This is not our policy

These kinds of talk emanate from farms where workers believe they are in a position to lead the farms.We will recommend at our congress that farmworkers need to look at the possibility of buying the farm whether that farm grows flowers or vegetables or anything else.This can assist the workers with an income and help fight unemployment

Bulletin: *Do you have a message for your members?*

Mohanoe: Workers must know that they are on their own.They must not have high expectations that the government will remove all obstacles. Government has paved the way by drafting the LRA. It is still a long way, but the workers must work hard and persevere. Nobody is going to do it for them, but themselves.

Bulletin: *Do you have a message for the bosses?*

Mohanoe: The farm owners determine the workers' conditions.The owners must move away from the stand that they have taken.To resist will not do them any good If they are not willing to move then the workers are going to assist them to do so. ★

The real challenges

a reply to Southall

Ebrahim Harvey argues that COSATU will not be able to act in its own interests or that of the working class as long as it stays in the alliance.

Roger Southall's article (Fighting marginalisation: Can COSATU rely on the alliance? *Labour Bulletin*, 25 (3), June 2001) is a poor, confused and mechanical 'analysis' of the relationship between COSATU and the ruling ANC.

His analysis does not lay bare the real relationship and balance of forces in the alliance in a way that addresses the serious problems facing COSATU. It appears to take the line of least resistance by tentatively seeking refuge in the murky quarters of corporatism. It tends to obscure the real situation behind a mechanical and crude division between the 'dominant ANC' and 'corporatist' models. The truth lies obscured beneath and between these models.

Southall begins his analysis by wrongly defining a 'dominant party' as one that 'dominates society by its ability to secure repeated election victories and which can dictate the government agenda, implement policies and impose a hegemony of ideas'. The ANC's dominance – secured through the ballot box – is largely at the political-legislative level. But it is impossible to describe the ANC as dominant in the more critical areas of the economy, policy and ideology, where external forces largely dominate it.

That the ANC abandoned some of the most important demands of the Freedom Charter, such as the nationalisation of monopolies, effectively abandoned the Reconstruction and Development Programme (RDP), and was compelled to adopt the neo-liberal Gear in 1996 makes it clear that it does not enjoy a hegemony of ideas, programmes or policy. Where it matters most – for the purpose of fundamental social transformation – the forces driving globalisation, mainly the International Monetary Fund (IMF), the World Bank and World Trade Organisation (WTO), dominate the ANC. These virtually control governments and economies, particularly in the Third World.

The decline of the nation-state and the power of governments over the past two decades have seriously diminished the capacity for independent government action, especially in the crucial areas of the economy, finance and trade. Nothing illustrates this balance of power more starkly than the huge debt burden that diverts critical resources away from where it is most needed, into the bloated coffers of the rich countries. The more COSATU calls for an 'interventionist developmental state', the more the ANC government has moved in the opposite direction through privatisation and other market-driven measures.

The growing socioeconomic crisis in South Africa, and government's failure to satisfy basic needs, can only generate radical opposition in the ANC and the Tripartite Alliance. This underlies the growing intolerance of internal dissent within the ANC. The suppression of dissenting views inevitably flows from the failure of its attempts to balance the competing demands of capital and labour in the midst of a crisis The ANC is the victim of contradictions between the Freedom Charter, the RDP, constitutional rights and its electoral promises on the one hand and globalisation on the other They are contradictions from which it cannot escape and which are likely to deepen.

The degree to which the ANC will tolerate dissent within its own ranks and the alliance is not, for the most part, determined by its commitment to democratic principles It is a function of the need to control the tensions resulting from Gear; to prevent the policy from becoming a serious threat to the unity and stability of the alliance The ANC is less concerned with dissent in its own ranks and the tiny South African Communist Party (SACP), over which it has a fair degree of control, than with keeping COSATU in check.

Because of severe fiscal and budgetary constraints, among other anti-working class measures demanded by Gear, the ANC is desperately trying to manage its declining credibility and rising anger and disillusionment in the broad working class, and particularly among its own members Between 1990 and 1999, its membership fell by half, to about half a million. It also suffered setbacks in the 2000 local government elections.

The biggest political question of the day is: how long will the ANC manage to contain COSATU before the latter breaks free from the alliance and takes an independent course? If COSATU left the alliance, it would dramatically alter the political landscape and pose the most serious threat to ANC rule. This is why the ANC needs COSATU more than COSATU needs the ANC

COSATU's leaders have strained themselves to the utmost in trying to justify participation in the alliance to union members who have grown increasingly disillusioned with ANC policies. As the crisis deepens because of these policies, COSATU leaders have tried to walk a tightrope between the demands of members and those of the ANC. How long will those who lead the federation manage to contain the membership and head off a mandate for quitting the alliance? Pressures to break with the alliance can only grow as conditions worsen and union leaders risk losing credibility.

The executives of all parties in the alliance have combined to prevent a rupture, but bureaucratic measures cannot outweigh a social crisis that worsens workers' conditions. Sooner or later, they will move in the direction their situation demands. Because of their history of militancy and the impact of the crisis, workers in COSATU will decide to quit the alliance much sooner than their leaders. So far, ANC pressure on COSATU to stay in the alliance has been greater than pressure from workers to break with it. To a large extent, shopstewards and office-bearers have also played a containing role because of pressure exerted on them by branch and national officials. But as the national congresses of SAMWU and NUMSA showed last year, certain affiliates are

Waiting for a job: unemployment can generate opposition to the ANC.

strongly inclined to leave the alliance if attacks by the ANC continue How the internal dynamics within and between affiliates play themselves out in the three years before the 2004 general election will determine what happens to COSATU in the longer term This perspective is premised on the likelihood that conditions facing COSATU and the working class as a whole will deteriorate over the next three years, and that a fundamental shift in ANC policy is unlikely to take place

It has become increasingly clear in recent years that remaining in the alliance will continue to weaken COSATU It has not always been able to fend off attacks by the ANC and defend itself and the gains made by workers over the years The weakening of the federation expresses itself in the compromises the ANC has forced it to make Still the most powerful mass organisation in South Africa, COSATU's mass campaign to stop Gear and the privatisation-driven iGoli 2002 plan, or defeat its most negative aspects, was constrained by pressures from within the alliance There are many examples of how the alliance has become a liability for the federation, rather than a source of strength It did not stop the ANC government from adopting Gear, prevent the recent amendments to labour law or head off the multibillion rand arms procurement deal

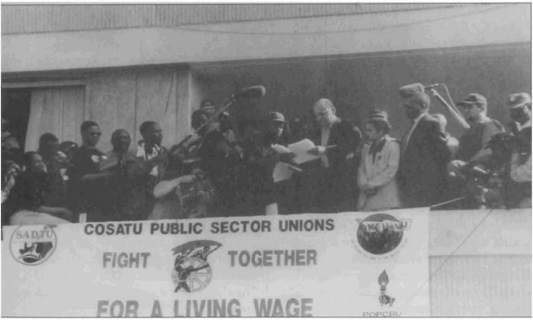
As long as COSATU remains in the alliance, it will not be able to act in its own interests and those of the broader working class That the alliance has seriously compromised the independence of COSATU is beyond doubt Take the united front, which I believe has been urgently needed since the introduction of Gear COSATU was in the best position to spearhead this initiative, the strongest weapon against attacks on the working class If such a front had been based on fighting Gear – the greatest threat to the working class as a whole – it could have rallied behind it other union federations, as well as civic and non-governmental organisations (NGOs). But nothing has happened in this regard, and nothing will while COSATU remains in the alliance. Southall says that despite COSATU's 'extremely strong criticism of Gear' it has remained in the alliance. He fails to see that such criticism has not been backed by strong and sustained mass action – which is why the ANC has not taken the criticism seriously.

Southall uncritically restates the views of 'conservative', 'radical' and 'corporatist' critics of the ANC but does not really analyse what they say. An example is the conservative view of COSATU as a labour aristocracy in relation to the unemployed. This is a neo-liberal view that falls squarely into the agenda of the Democratic Alliance (DA) and the World Bank. Their aim is to exacerbate divisions in the working class and provide a rationale for further belt-tightening, wage restraint and other attacks on labour. Different sections and layers of the working class experience different levels of poverty. But this does not mean the better-off must prostrate themselves before the capitalist agenda. Likewise, the view that COSATU's membership of the alliance makes it a 'partner in privilege' promotes the interests of capital and the ruling party.

Southall's support of the corporatist model is wrong for other reasons, too The corporatist view that South Africa is a better place to live in now than it was before 1994 is correct in a general sense, but not in regard to the material condition of the masses Since 1994, the country has had a fragile and limited bourgeois democratic order There can be no true democracy amid growing poverty, hunger, unemployment and homelessness. People cannot live on votes or from what is said to be one of the world's best constitutions. Because of our history, the declining quality of liberal democracy within a globalised capitalist framework will be starker than elsewhere. Last year's labour law amendments illustrate this. In a period of supposed transformation, the amendments rolled back worker gains after hard struggles under apartheid

Southall does not really analyse the arguments of the corporatists. Over the past two decades – even before the onset of globalisation in the late '80s after the demise of the Stalinist regimes – corporatism was under increasing strain in Europe. A growing economic crisis reduced the ability of the state and capital to fund social democratic programmes. Globalisation has exacerbated the crisis by means of technological change and through the greater mobility of capital, which intensified competition in world markets where previous barriers had fallen Today, the generous European welfare state of earlier decades is a thing of the past, with little or no prospect of renewal.

In addition, there is no possibility that South Africa – where capitalism and democracy developed under different conditions from Europe – can reproduce the kind of social democracy Scandinavia and Europe once enjoyed. Our bourgeois democracy was hamstrung from the outset by the severe structural constraints on local capitalism, which after seven years of 'transformation' and 'transition' cannot pay decent wages or give workers a decent standard of living. This is why the notion of a black labour aristocracy in South Africa is questionable. Just as the black bourgeoisie has arrived too late on the historical stage to supplant the white bourgeoisie, so too the black working class arrived too late to enjoy the living standards racial capitalism gave white workers This is why the fight to fulfil workers' basic needs is inseparably tied to the fight against capitalist globalisation.



The ANC is concerned with keeping COSATU in check

It was a misfortune for black workers that liberal democracy dawned in South Africa at a time when the forces of globalisation – already unleashed against the working class in Europe – were imported in the form of Gear The effect was to undermine socioeconomic transformation here Globalisation and the ANC's own nationalist petty bourgeois leaders, coupled with a multi-class alliance, dealt that prospect a severe blow The right of black workers to vote for the first time, and many other important democratic changes, failed to translate into fundamental improvements in material conditions

How much are the ANC's compromises the result of its history, leadership and class character, and to what extent did they flow from enormous external pressures inherent in globalisation at a time when socialism was in retreat across the world? While it is clear that the ANC's make-up made it easier to compromise, could a socialist party have resisted these powerful pressures? There has been little analysis of this question

Corporatism needs to be understood at the organisational level – in relation to the ANC, COSATU and the SACP – and in relation to the racial capitalism, which forms the historical background in South Africa The obverse of reformism, it has little chance of success in South Africa because of the uniquely brutal exploitation and oppression of black labour made possible by racial capitalism The marriage of this legacy and globalisation seriously limits liberal democracy in South Africa, posing a problem for white employers and the ANC

It also defines the tortuous wrangling and often deep rifts between labour and capital in Nedlac South Africa's history has impoverished the amenable soil in which reformism and corporatism can grow

Government has the power to take policy decisions on any matter in the absence of an agreement in Nedlac, and can choose whether, and to what extent, to seek formal agreements there. This is why working class voices have questioned the purpose and future of Nedlac, and why the social compact in this country has little chance of success.

To justify the alliance between the ANC and COSATU as a strategic compromise, therefore, betrays an agenda – to keep COSATU shackled to the ANC in the interests of that party and capital. Nowhere else in the world has the labour partner in a ruling alliance been attacked so often by the governing party, while singing the praises of the alliance and arguing for it to be maintained and strengthened. How can a relationship in which one party steadily weakens the other be strengthened?

For Southall to state that COSATU's departure from the alliance would give the ANC freedom to pursue more 'strongly capitalist, neo-liberal policies' and push it closer to the DA is an alarmist red herring. After Gear and the labour law amendments, how much further along the path of neo-liberalism can the ANC go? In addition, the ANC cannot move much further to the right because its support base is rooted in COSATU and the black working class.

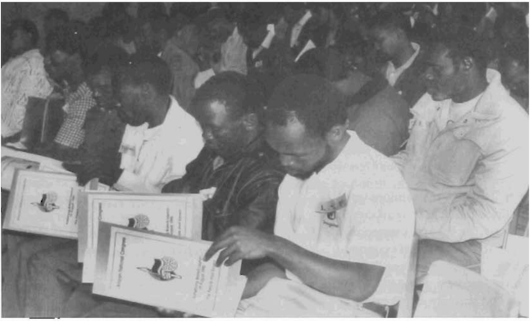
The ANC's avowed opposition to white racism, its deep antipathy towards the DA and the fierce electoral rivalry between the two parties rule out any joint pursuit of a more naked neo-liberal path. In fact, they are more likely to make it seek stronger ties with the black working class.

Southall warns that a COSATU breakaway from the alliance would be 'much more complicated and messy than radicals imply' and that it would be 'extremely risky' to form a worker's party, but says little about the potentially graver dangers of remaining an alliance partner. He warns workers that in competition with the ANC, their party would have great difficulty raising election funding, and that there would be nasty courtroom battles within unions over finances, pension funds and other investments With a membership of close to two million, and its affiliation to an international federation with 125 million members, COSATU could surely raise the necessary funds, even in competition with the ANC.

Southall urges COSATU to remain in the alliance and contest its increasing marginalisation. But that is precisely what the federation has been doing in the years since the ANC adopted Gear. Southall himself says that COSATU is now so toothless that it cannot counter despotic tendencies in the ANC.

While Southall recognises the growing potential for an alliance between COSATU and NGOs, he refers to the possibility of forging a 'multi-class alliance'. He goes on to raise questions about the criteria COSATU would use in entering such an alliance, and if it would be on a 'multi-class, radical democratic basis, or would go further by appealing for socialism'. The prior question is: What criteria should COSATU use for *remaining* in an alliance in the face of the many attacks on it by its alliance partner?

The answer to this would apply to his question about the criteria for *entering* another alliance: that although it might have other class elements – but not the big bosses – it must be led by workers with a socialist programme. The effects of Gear and globalisation has strengthened, not weakened, the fight for socialism. We need a united front of union, community, non-governmental and other progressive organisations. COSATU is still best placed to lead such a front. Events over the past few years have made it painfully clear that COSATU can only rely on itself and the



Between 1990 and 1999, ANC membership fell by half.

broader working class

One of the following scenarios will unfold over the next few years The first is that an ANC government wedded to a neo-liberal programme will continue its attacks on COSATU, and that this will undermine the relationship to a point where many members would favour withdrawal from the alliance. However, because of the differences within and between affiliates, and the influence of leaders and shopstewards over the mass membership, ruptures will occur. NUMSA and SAMWU gave strong notice of this possibility last year This is likely to lead to a split within COSATU, with disaffected sections hiving off to form another federation This would be a tragedy for working class unity

Another possibility is that COSATU will stay in the alliance, with debilitating consequences for all affiliates, until a few large and strategic affiliates summon the resolve to break away.These could form the basis for a new regrouping, which would seek broader unity with other unions and community organisations, leading to a worker's party at a later stage Given the weakness of the left outside the alliance, it is most unlikely that a worker's party would emerge without a strong union base The unions will remain the key to any worker's party

An alternative scenario is perhaps even more dangerous that COSATU as a whole hobbles along in the alliance with its strength steadily waning, until it becomes a sad shadow of its past.

The final possibility is that the federation as a whole decides to leave the alliance and becomes the master of its own destiny The longer it takes to reach that decision, the weaker it may be when it makes its move That is why resolving this matter as soon as possible deserves the highest priority ★

Ebrahim Harvey is a freelance writer, political commentator, former columnist for the Mail & Guardian and former COSATU unionist

Revisiting the unfashionable
job creation

Rosa Dias and Geoff Harris revisit budget deficits and direct job creation programmes as ways to create jobs.

This article re-examines two unfashionable ways of creating jobs. The first part suggests that contrary to conventional economic thinking, increasing budget deficits may stimulate investment and job creation. In the second part, direct job creation programmes are evaluated using 'social profitability' as the main criterion, rather than budgetary impact.

Carefully designed and managed job creation programmes will create jobs and can also meet important social needs. Their social benefits can outweigh their social costs.

The Gear strategy of 1996 expressed a strong commitment to 'fiscal discipline' by reducing the budget deficit to below 3% of GDP. This would, it was hoped, build confidence among local and foreign investors and raise investment levels. We look at whether reducing the budget deficit to an arbitrarily determined level is correct, given the large-scale unemployment and under-use of capacity in the South African economy.

The unemployment rate currently ranges between 25 and 38%, depending on how it is defined and calculated, and capital stock is being used to about 70% of maximum capacity. As Joseph Stiglitz points out, there is no simple optimum level of budget deficit. 'The optimum deficit depends on circumstances, including the cyclical state of the economy, prospects for future growth, the uses of government spending, the depth of financial markets and the current level of national savings and investment.'

We argue that the mainstream theory promoted by the International Monetary Fund and World Bank does not explain high and increasing unemployment rates in countries like South Africa. Policymakers have expressed frustration that they are 'getting things right' in terms of fiscal responsibility but without the expected reward in terms of greater foreign investment. If doing the 'right things' has not brought foreign investment, perhaps one should concede that they are not the right things to do. Fiscal responsibility costs South Africans a great deal in expenditure on health, education and the like.

Why budget deficits are 'bad'

The objection to budget deficits is that the more government spends in excess of revenue, the more it must borrow. The three methods of financing a deficit may create macroeconomic problems: external financial flows may prove unstable, money creation causes inflation, and internal finance raises domestic interest rates

Internal financing has particularly concerned South African policymakers. In a simple macroeconomic framework, the savings of households and firms form a pool of funds in the commercial banking sector These are available to local investors, who borrow to finance the purchase of capital stock, and to government, which borrows to finance budget deficits The conventional argument is that the higher the budget deficit is and the more government borrows, the less funds are available for private investment. In addition, higher government borrowing means higher interest rates, which increase the cost of capital to private investors

South African policymakers have repeatedly identified the lack of savings as a constraint on investment, and have argued for the reduction of the deficit to release scarce savings for private sector use This assumes that investment is determined by interest rates

The possible virtue

We argue that domestic and foreign investment in South Africa may not be particularly responsive to interest rates If this is the case, the marginal loss of investment as a result of deficit-induced increases in interest rates is likely to be outweighed by substantial increases in investment as a result of the deficit-financed stimulation of the economy

Higher government spending creates a greater demand for firms' products, and this creates positive perceptions of sales and cash flow and raises companies' investment spending Thus the emphasis on small deficits and lower interest rates may mean less investment than would result from larger deficits and higher interest rates

Several studies have found that 'output or sales is clearly the dominant determinant of investment spending, with the cost of capital having a modest effect'. Fazzari's study of United States manufacturing firms during the 1970s and 1980s, for example, showed that private investment responded to firms' sales growth and cash flow rather than to interest rates.

Gibson and Van Seventer support this finding for South Africa Published before the release of Gear, their model of the South African economy predicted that cutting the budget deficit would lead to lower production, employment and income levels and reduce firms' sales growth and cash flow, making them hesitant to invest in capital stock A decline in government spending would cause the South African economy to stagnate further, signalling falling profits to investors and heightening uncertainty regarding future investment High unemployment means a lack of income for households and, therefore, a lack of demand for output. Future profitability is of utmost concern to potential investors, and stagnant markets are not likely to attract investment In addition, there is no conclusive evidence that an increase in the budget deficit drives up interest rates

Deficits generate income. If increased public spending creates employment and income, some of the income will be saved What is consumed creates further spending, more income and even more savings When the economy has unused resources, expansionary fiscal policy creates domestic savings. If savings increase with deficits and fall with deficit reduction, the link between deficits and interest rates is no longer obvious

This means that people's welfare is being sacrificed by policymakers in their worship of an ideology that is not producing the goods Government is choosing not to create jobs in order to comply with free market ideology There are plenty of signs that the strongly free market approach will be very unfashionable by 2010.The rest of the article evaluates the social costs and benefits that could arise from government increasing its spending on direct job creation

Direct job creation programmes

One perception of government job creation programmes is that they employ people to dig holes and then fill them However, many programmes enhance society's physical and human capital. Examples include employment of teams to build community security, to clear alien vegetation from catchment areas and to educate people about communicable diseases. Many people are unemployed and many socially valuable tasks are not being done. Direct job creation brings these elements together for the good of society.

We focus on the social profitability of direct job creation programmes We argued earlier that there are reasons for being less concerned than is fashionable with the size of budget deficits. Even if we remain obsessed with the size of the deficit, budgetary spending on direct job creation would be immediately reduced by at least 25% in tax revenue increases, before other savings are counted.

We now evaluate the case for direct job creation, using a cost-benefit analysis (CBA) framework.The four basic steps in any CBA are.

- the identification of all benefits and costs, including intangibles;
- the valuation of each of these, where possible;
- discounting the stream of net benefits which flow from the project; and
- the calculation of measures which summarise the outcomes of the project.

Of these, identification and valuation are the key. Our basic contention, that such projects may be socially profitable in that their resource benefits exceed resource costs, can be demonstrated without going into the other steps

There are three categories of impact to search for in the identification phase:

- resource benefits (the increased output as a result of a project, or the resource costs saved); resource costs (measured by the opportunity costs of the resources used), and
- transfers (involving monetary flows from one sector of society to another, without increasing output or incurring an opportunity cost)

Transfers cancel to zero and are not included in CBA calculations.Table 1 summarises the resource benefits and costs expected in a direct job-creation project

We will assume a project or series of

Table 1: Resource benefits and costs of a job creation project

Resource costs

- Opportunity costs of the financial resources used to pay wages and materials.
- Opportunity costs of the administrative resources used to set up and implement the project.
- Opportunity costs of the activities foregone by those now employed.

Resource benefits

- Increased output of goods and services.
- Saved resource costs in such areas as health and crime prevention.
- Intangibles, for example, higher self esteem.

projects employing 10 000 people who are paid an annual wage of R25 000 each. The major resource costs are the wages (R250-million) and equipment and materials (say, R50-million) involved in the project The administrative inputs should not be under-estimated We allow three alternative proportions of the basic cost 10, 15 and 20%, resulting in administrative costs of R30-million, R45-million and R60-million respectively It might be argued that the third resource cost – the value of the activities given up by those who are now employed – should be valued at zero, but we use alternative values of 10 and 20% of the wage cost, that is, R25- and R50-million for this Total resource costs, then, are between R330-million and R410-million

The major resource benefit is the value of the output These may be one-off benefits, but are more likely to involve a stream of net returns over time Placing a value on outputs as diverse as community security, water yields and reduced disease is a challenge but it can be done We assume that the (present) value of the output is equivalent to 75, 100 and 125% of the wages and material costs, that is, R225-million, R300-million and R375-million respectively These assumptions are crucial and need explaining

An extreme view would be that the output of government job creation projects would always be less valuable than their wage cost – otherwise the private sector would do the work But projects like those suggested above will not yield a profit to the private sector The entire community will benefit but it is not feasible to collect payments from people when, for example, they benefit individually (but often unknowingly) from greater security or greater HIV/AIDS awareness The community as a whole must pay through the tax system

Government employs people to clear alien vegetation

Simple arithmetic suggests that the present value of outputs from such programmes is likely to far outweigh their wage and other costs An HIV/AIDS awareness educator is surely likely, over the course of a year, to save hundreds of lives A small number of community security personnel are likely to have a significant impact on the private and social costs of crime The increase in water yields from clearing alien vegetation in water catchments may mean that new dams do not need to be built

The saved resource costs in terms of better health and less crime are difficult to estimate. We are measuring the marginal social costs of crime and ill health Obviously, a considerable proportion of health, police and justice expenditure is fixed irrespective

Table 2: The net social impact of employing 10 000 people (millions of rand)

	Pessimistic	Middle	Optimistic
Resource costs			
Wages, materials	300	300	300
Administrative costs	60	45	30
Resource benefits			
Increased output	225	300	375
Health, crime savings required to break even	135	45	(45)

of how the services are used Some costs, however, are closely related to demand The information required to estimate such saved resource costs is not available.Therefore, our approach is to calculate the level of savings in terms of crime and health required for a break-even result, and to consider whether these savings could be reasonably expected

The figures discussed above are summarised in Table 2, which shows that saved resource costs in respect of health and crime would need to be R45-million and R135-million under normal and pessimistic assumptions respectively, but that under optimistic assumptions, there is a social profit even without such savings. If our figures are reasonable, it is clear that carefully chosen, well-planned and well-managed direct job creation projects can yield a net social benefit.The fundamental assumption concerns the value of output.

Another virtue of direct job creation programmes is that they can target particular groups or areas They provide an opportunity for government to raise the income of disadvantaged groups, and in disadvantaged areas, in a way economic growth or general government expenditure cannot.While the multiplier effects of government expenditure are not normally counted in CBAs (because all projects have multiplier effects), that there will be such an effect among disadvantaged people is another benefit.

It may be argued that direct government job creation does not create 'real' jobs because they are not in the service of private profit. On this reasoning, no government job would be real. It is based on an extremely narrow definition of profit and ignores market failure. Left to itself, the free market will not produce a socially optimal outcome – governments must intervene to ensure such outcomes. Certainly, government failure can also occur.What is needed is a balance between private enterprise and government involvement.

Conclusion

The first part of this paper provided evidence that budget deficits may have a positive net effect on investment and job creation The second showed that direct job creation programmes are more likely to deliver jobs, and deliver them where they are most needed, than indirect methods They can enhance society's physical and human capital and yield a social profit. However, they do require careful planning and management.

Some will dismiss budget deficits and direct job creation for ideological reasons. We believe we have shown they deserve to be considered seriously as ways of increasing employment in South Africa. ★

Rosa Dias and Geoff Harris lecture in the School of Economics & Management at the University of Natal, Durban This is a shortened version of a paper prepared for the Work 2001 Conference held in April 2001.A copy of the full paper is available on request (harrisg1@nu ac za or (031) 260-1186)

'Hungry to join a union'

Sarah Mosoetsa and William Matlala interview Joseph Maqhekeni, deputy president of NACTU.

I was born in Mqanduli, in Transkei, Eastern Cape I am the only son in a family with four children My father passed away in 1998 He worked in Vereeniging He was one of the group that burnt their pass books in 1960 As a result, he nearly lost his life

My mom looks after the home in the Eastern Cape. I have three sisters They are all married and living with their families We are the type of people who like their origin We do not want to leave our land and then claim it back thereafter

I have six children, three boys and three daughters - the last two are twins My kids are quite grown up two boys and a girl are already in tertiary education, the third boy is in high school and my twin daughters are in standard two [grade four] My wife is a teacher down in the Eastern Cape. She has supported me through everything At times, I am away from home for almost a month. Yet, she takes care of my children and family

Growing up in Mqanduli

Growing up in Mqanduli, I was a herd boy, looking after the cattle. I used to enjoy that very much I wish I could go back to my youth Then, I did not have the responsibility of waking up in the morning to go to work Rather, I had the pleasure of looking at nature's beauty That beauty makes me go back to the Eastern Cape during my vacations and public holidays When I am on leave, I switch off my cellphone and never read any newspapers for two weeks

I did my schooling in the Eastern Cape, from lower primary to standard eight [grade 10]. I used to play rugby at school There was a national team for blacks then called the Leopards but we boycotted it because it was a creation of apartheid In standard nine and ten [grades 11 and 12], I attended St John's College in Umtata I was fortunate because I was academically very strong This meant I did not have to use my family's resources for education The Catholic Church assisted me by giving me a bursary

In 1974, a theology college from Fort Hare moved to Umtata, next to my school Students from that college used to come to St John's College at night to tell us what is happening behind the scenes That is how I started to be politically involved

My first job

After completing my matric, Volkskas bank recruited me, together with four other comrades, to be bank tellers.They were introducing a plan of employing African people but only as a form of window dressing The wages were not good and discrimination was very common.

During those years, the 1970s, black unions were not recognised and so could not represent anyone. From the little political education I got from St John's College, I knew I was not going to work for Volkskas for long.

1976

I remember in 1976, my first year of work, I was in Umtata in the old homeland There were uprisings against the use of Afrikaans as a medium of instruction My friends and I used to go to the schools to address students on political issues. We were also against the use of Afrikaans as a medium of instruction. We felt the pains of discrimination and knew that we needed to do something.

Joining SACWU

I then joined the chemical industry in 1980, working for AECI in Sasolburg In 1981, after working there for just one year, SACWU recruited us into the union. I was hungry to join a trade union. Six months later, I was elected as one of the first SACWU shopstewards at AECI in Sasolburg I had a membership of about 400 in that department.

In 1986, I was elected as secretary of the union in that particular workplace. I was a link between the company and the union. I then moved on, while still working for AECI, to be a SACWU branch secretary. During that time, the union trained me through workshops inside the country and abroad

I became increasingly active in SACWU, so much so that in December 1990 NACTU affiliates recognised my capability They elected me as deputy president of NACTU. I replaced Patricia de Lille who was leaving for politics. I still hold this position in NACTU and still also work as a full-time trade union representative at AECI. In 1994, I was elected as president of SACWU.

My dream

To have been involved, to have participated, and to have contributed during the days of the Council of Unions of South Africa (CUSA), makes one feel great. This is especially so when CUSA changed its name to NACTU in 1986.

However, I was a bit disappointed when the Federation of South African Trade Union (FOSATU) and CUSA did not form one labour movement. I was one of those people involved in the negotiations. It was our dream, and still is my dream, that one day we will have one giant federation in this country, looking after the interests of all workers.

We need to seriously think about how we ensure that we indeed work together We must look at building power for the working people so we are a force to be reckoned with

Internal education

We still need to do a lot of internal education amongst our own members and managers about our unions There are those managers that still treat unions today the way they did in the 1980s. Unions themselves need to educate one another for the good of this country, for the good for our members, and for the good of our kids who are still growing up.

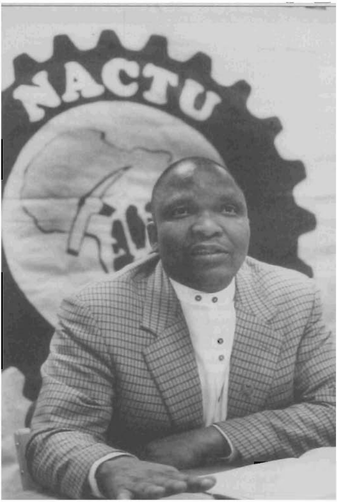
Other duties

SACWU is very involved in the Workplace Challenge Initiative, and I was given a chance to drive that. It is my belief that the Workplace Challenge is a good project, with which all the unions need to engage.

We should forget about talking profits and creating more wealth The liberalisation of our economy and the lowering of tariff barriers is certainly a challenge for all of us We need to have more Workplace Challenge projects and encourage unions and companies to go that route.

I also represent NACTU at Nedlac in the labour market chamber and in the negotiations around the labour legislation amendments

I have also been serving on the South African AIDS Council chaired by deputy president Jacob Zuma I think the challenge facing South Africa is how we improve HIV/AIDS awareness and treatment Government policies are there but government needs to put in place resources to implement and monitor the policies I have also taken the initiative of ensuring that all workplaces have condoms for the workers



NACTU today

NACTU has been growing in the past two years Our membership has increased to about 550 000 Unions affiliated to NACTU are growing and new unions are joining the federation The federation has a small number of affiliates but these are very strong, especially in the public sector, like the teachers union, PEWU and the National Public Sector Workers Union

Contribute from within

NACTU has contributed a lot to the well being of our people but I still haven't completed my mission There are many job offers and opportunities for me given my experience – 20 years of experience is not child's play I don't see myself going to government or the private sector because, although the unions have skilled and experienced people, they still need to improve I still need to contribute in building this nation from within the labour movement We need an educated labour movement that can engage with business and government constructively' ★

Sarah Mosoetsa is a research officer at the Sociology of Work Unit (SWOP) at Wits University

glossary

BCEA	Basic Conditions of Employment Act
CCMA	Commission of Conciliation, Mediation and Arbitration
COSATU	Congress of South African Trade Union
FEDUSA	Federation of Unions of South Africa
GEAR	Growth, Employment and Redistribution strategy
LRA	Labour Relations Act
NALEDI	National Labour and Economic Development Institute
NACTU	National Council of Trade Union
NEDLAC	National Economic Development and Labour Council
SMME	Small, Medium and Micro Enterprise

COSATU-affiliated unions

CAWU	Construction and Allied Workers Union
CEPPWAWU	Chemical, Energy, Paper, Printing, Wood and Allied Worker's Union
CWU	Communication Workers Union
FAWU	Food and Allied Workers Union
NEHAWU	National Education Health and Allied Workers Union
NUM	National Union of Mineworkers
NUMSA	National Union of Metalworkers of South Africa
PAWE	Performing Arts Workers' Equity
POPCRU	Police and Prisons Civil Rights Union
RAPWU	Retail and Agricultural Processing Workers Union
SAAPAWU	South African Agricultural Plantation and Allied Workers Union
SACCAWU	South African Commercial, Catering and Allied Workers Union
SACTWU	South African Clothing and Textile Workers Union
SADNU	South African Democratic Nurses' Union
SADTU	South African Democratic Teachers' Union
SAMWU	South African Municipal Workers Union
SAPSA WU	South African Public Servants Association
SATAWU	South African Transport and Allied Workers Union
SASBO	The Finance Union
TGWU	Transport and General Workers Union

FEDUSA-affiliated unions

ALPA SA	Airline Pilots Association of South Africa
GATCCA	Guild of Air Traffic Controllers
FGWU	Food and General Workers Union
HACTU	Hairdressers & Cosmetologists Trade Union
HOSPERSA	Hospital Personnel Trade Union of SA
IBSA	Insurance & Banking Staff Association
IMATU	Independent Municipal and Allied Trade Union
IPATU	Independent Performing Arts Trade Union
MISA	Motor and Industry Staff Association
MTWU	Motor Transport Workers Union
NULAW	National Union of Leather Allied Workers
NUPSA	National Union of Prosecutors of SA
P&T	Post and Telkom Association of SA
PAWUSA	Public and Allied Workers Unions of SA
PHOSA	Professional Health Organisation of SA
PSA	Public Servants Association of SA
SAAFEA	South African Airways Flight Engineers Association
SACU	South African Communication Union
SACWU	South African Chemical Workers' Union
SADWU	South African Diamond Workers Union
SAFSA	Footplate Staff Association
SAMRI	Staff Association for the Motor and Related Industries
SAIDSAWU	South African Independent & Allied Workers Union
SAPTU	Parastatal and Tertiary Institutions Union
SATU	South African Typographical Union
SWU	Sweet Worker's Union
TWU	Technical Workers Union
UASA	United Association of South Africa
UNPSA	United National Public Servants Association of SA
WUSA	Werknemers Unie Van Suid Afrika

NACTU-affiliated unions

BCAWU	Building, Construction and Allied Workers Union
BIFAWU	Banking, Insurance, Finances and Assurance Workers Union
HIAWU	Hospitality, Industries and Allied Workers Union
HOTELICCA	Hotel, Liquor, Catering, Commercial and Allied Workers of SA
MESHAWU	Municipality, Education, State, Health and Allied Workers Union
MEWUSA	Metal Electrical and Allied Workers Union
NACTWUSA	National Clothing and Textile Workers Union of SA
NAMPSWU	National, Municipal, Public, Service Workers Union
NASAWU	National Security Workers Union
NPSWU	National Public Sector Workers Union
NUF	National Union of Farmworkers
NUFAW	National Union of Furniture and Allied Workers
NUFBSAW	National Union of Food Beverages, Spirit and Wine
PSU	Parliamentary Staff Union
SACWU	South African Chemical Workers Union
TAWU	Transport and Allied Workers Union
TOWU	Transport and Omnibus Workers Union

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