

# Socio-Economic Report to the 11<sup>th</sup> Congress

## Congress of South African Trade Unions

September 2012

If we cannot succeed with the agenda of decent work and poverty eradication with Jacob Zuma as the President, Kgalema Motlanthe as the Deputy President responsible for poverty eradication, Gwede Mantashe as the ANC Secretary General, Ebrahim Patel as the Minister of Economic Development and Rob Davies as the Minister of Trade and Industry, then there is little possibility that we can succeed to make any next period that of workers and the poor. This is the moment that comes once in a long time. We, the leaders of the generation largely responsible for this political climate, so pregnant with real possibilities, cannot afford to squander this moment-**Excerpt from the COSATU Political Report, 10<sup>th</sup> Congress**

The Freedom Charter states that the people shall share in the country's wealth. Sixteen years into our democracy, while we have made substantial progress, we have not yet achieved true economic transformation, which should include fundamentally changing the structure of the economy and the distribution of wealth and income in our society"-**President Jacob Zuma, Address to the ANC National General Council, Durban, 2010.**

As we convene at this 12th National Congress of the SACP, we are all well aware that the first decade of freedom is now well behind us. It is a decade of important victories... But it is also a decade in which the stabilization and return to growth of the capitalist economy has strengthened established big capital – the very forces who shaped a century of colonial and apartheid oppression and minority accumulation.... Things are certainly better than they were before 1994. We must celebrate what we have achieved. We must build upon it. But we cannot simply continue to march to the hymn of “the revolution is on track”, or “today is better than yesterday”, and therefore supposedly “tomorrow will be better than today”. There is nothing pre-ordained, or guaranteed about progress. The future of our country is deeply contested. And that contest is, fundamentally, a CLASS contest-**Political Report of the SACP's 11<sup>th</sup> Congress Central Committee as Tabled before the 12<sup>th</sup> Congress, 2007.**

## 1. Introduction

- 1.1. A socio-economic report must achieve three objectives. Firstly, it must describe the material conditions under which the working class reproduces its labour power in comparison to, and in connection with,

the material conditions of the capitalist class. Secondly, it must describe the mechanisms through which the capitalist class exploits the working class. Thirdly, it must provide an analysis of the effect of class struggles on the material conditions of production and reproduction. A socio-economic report thus provides the material basis for the working class to devise forms of organisation and struggle that correspond to the ever-changing forms through which the capitalist class seeks to maximise the exploitation of the working class. Whilst a socio-economic report does not gauge the temperature of class conflict, does not measure the tempo of class struggle nor determine the direction of that struggle, it nevertheless describes the material conditions within which class struggle takes place and the reciprocal effects of class struggle on the material conditions of production.

- 1.2. A socio-economic report for the working class proceeds from the premise that in South Africa, the features of Colonialism of a Special Type remain intact. These features have since progressively strengthened and mutated into overtly imperialist forms. At the base of South Africa society is a structural crisis of deepened class domination and exploitation. Though racial oppression has been constitutionally eliminated, racial domination continues to be reproduced. The exploitation has deepened together with the overall exploitation of workers and the oppression of women remains intact. In our movement, we have formulated the strategic objectives of our revolution to be the resolution of these inter-related contradictions of race, class and gender that underpin the Colonialism of a Special Type. We are, however clear that among these contradictions, it is fundamentally the contradiction between the black working class on the one hand and the white capitalist class on the other, which defines the fundamental contradiction in our society.
- 1.3. The perspective of this socio-economic report maintains this understanding throughout. It shows that the existing social order is completely incapable of resolving the problems that confront the vast majority of the people. Since 1994 the socio-economic crisis confronted by the working has deepened and, since the 10<sup>th</sup> Congress in 2009, the Global Economic Crisis has added further impetus to this trend. The ruling capitalist class is failing to resolve the problems of our country, as it has historically been the case. In this context, interestingly, the very same ruling class has been on the ideological offensive, primarily to lay the blame of the dysfunction of the social system at the door of the working class. The ruling class attempts to divert attention from its spectacular failures by mobilising its reserve army among the unemployed, against COSATU. Bourgeois analysts of all hues, and petit-bourgeois sycophants, claim that workers are the beneficiaries of the current capitalist system and that workers are responsible for the unemployment crisis. Invoking the so-called “insider-outsider” theory, these analysts claim that workers are the employed “insiders” whose trade unions pursue narrow class interests to exclude the unemployed “outsiders”.

- 1.4. We have noted in the 5<sup>th</sup> Central Committee Report that ideologically, COSATU is confronted by a new neoliberalism, which substitutes jobs for growth in its rhetoric. Its advocates ridicule the call for decent work, and only emphasise “job-creation”. They argue that any kind of work is good because it is work-young people must get a foot on the door of the labour market, get the experience of being exploited, before they can demand decent work. In the past and to some extent still today, neoliberalism emphasized growth as the silver bullet against inequality, unemployment and poverty. This strategy failed. The new neoliberalism emphasises any kind of job as a silver bullet to inequality, unemployment and poverty. This too will fail. COSATU’s ideological task in the terrain of socio-economic transformation remains that of fighting neo-liberalism in all its forms, whether it emphasizes impoverishing jobs or impoverishing growth.
- 1.5. But this ideological struggle is not just confined to COSATU. It is a struggle that the Alliance must take up. For example, the COSATU Gauteng Province Report to the 11<sup>th</sup> Congress of COSATU observes “poverty and unemployment is still inflicting the majority of members of the ANC, with 42% being unemployed while 60% of those that are employed earning less than R3000-00 per month”. For other provinces, it is likely that the membership of the ANC is composed by a higher percentage of the unemployed section of the working class, which daily faces the challenges of destitution, hunger and starvation. The same pattern of membership is the case with the SACP. This report therefore has direct relevance to our Allies, since the mass base from which we draw membership is the same. We therefore hope that this report will feed into the formulation of the strategy and tactics of the Alliance, as components of the Alliance have a duty to consolidate a new Alliance Programme of Action in the aftermath of the 13<sup>th</sup> Congress of the SACP, 11<sup>th</sup> Congress of COSATU and the 53<sup>rd</sup> National Conference of the ANC.
- 1.6. In the German Ideology, Marx and Engels observed that: “people cannot be liberated as long as they are unable to obtain food and drink, housing and clothing in adequate quality and quantity”. Amilcar Cabral further echoes this observation: “Always bear in mind that the people are not fighting for ideas, for the things in anyone’s head. They are fighting to win material benefits, to live better and in peace, to see their lives go forward, to guarantee the future of their children”. As will be demonstrated in this report, no amount of sophistry can hide the fact that the mass of the employed working class is increasingly sinking deep into the conditions of the Lazarus-layers, pushed down by labour-brokers and rising precarious forms of employment, which are increasingly defining the low-wage, liberalised, colonial growth path of the economy. Disappointed by the deteriorating quality of services from the current capitalist state; and experiencing a diminishing quality of life in the current bourgeois-democratic dispensation workers must now take concrete steps in the field of struggle to provide leadership in resolving these problems. But for this to happen, the wretched material conditions have to etch themselves into the consciousness of the

working class as a whole, and translation of this heightened consciousness into a real revolutionary movement against the bourgeoisie, and in advancing a radical, working-class led second phase of the national democratic revolution.

- 1.7. Consequently, in line with our 9<sup>th</sup> Congress resolutions, in this socio-economic report we put the socio-economic demands of the Freedom Charter at the centre in order to focus our analysis. We argue that the defining feature of the second phase of the NDR should be a change in the structure of the economy through broad-based industrialisation, addressing the basic needs of our people through improved quantity and quality of basic services, strengthening and expanding the role of the state through elimination of tenders in the delivery of infrastructure and basic services, and through the transformation of the property relations that support Colonialism of a Special Type, so that the democratic state controls and directs social and economic development. What this means is that patterns of ownership and control of the economy must be democratised in such a way as to tilt the balance of class forces in the economy, in favour of the working class and its popular allies. This cannot be achieved, in this day and age, except principally through the transfer of the decisive means of production, as outlined in the Freedom Charter, to the democratic state. The strategy of replacing the White with the Black capitalist class through BEE has failed; the socio-economic crisis that has engulfed our country is palpable proof that the capitalist class—be it Black or White, has dismally failed to resolve our problems.
- 1.8. There is an urgent need now to link the second phase of the NDR directly, without an intermediary, with the Freedom Charter as understood by the working class. Particularly, COSATU's understanding of what the Charter calls for has already been articulated by the 9<sup>th</sup> Congress. This means that a wide-ranging programme of transformation for the second phase of the NDR should be informed by "revolutionary accounting". For each clause of the Freedom Charter, the programme must spell out how it seeks to realise it, and what are the critical markers of progress for monitoring and evaluation. There should be no obfuscation and mystification through thick documents that do not directly address the clauses of the Freedom Charter.
- 1.9. This socio-economic report is structured as follows:
  2. Section 2.2— The triple crisis of unemployment, poverty and inequality
  3. Section 2.3— Ownership and Control of the South African Economy
  4. Section 2.4— The Land Question
  5. Section 2.5— Macroeconomic Policy and New Growth Path
  6. Section 2.6— Industrial and Trade Policy, Energy and Water Issues
  7. Section 2.7— Labour Market Performance and Policy Developments
  8. Section 2.8—Social Security Reform

9. Section 2.9—Access to Basic Services
10. Section 2.10— Access to Basic Goods
11. Section 2.11— People with Disabilities
12. Section 2.12—Environment and Climate Change
13. Section 2.13—Building a Democratic Developmental State
14. Section 2.14—Conclusion

## 1.10. **The Triple Crisis of Unemployment and Inequality**

### **15.**

#### 1.10.1. **The Unemployment Crisis**

### **16.**

1.10.1.1. The Freedom Charter declares that in a democratic South Africa, “There Shall Be Work and Security”! It further demands that: “The state shall recognise the right and duty of all to work”. Lack of work, or the problem of high unemployment, has been at the centre of all major economic policy documents<sup>1</sup>. The call for a “labour-intensive growth path”, contained in GEAR (1996), is also found in recent policy documents. Yet, all the policies that have been adopted in the past 18 years have failed to deliver on the fundamentals: unemployment reduction, poverty elimination and the reduction of social and economic inequality. In our assessment, the failure of these policies does not lie in what they sought to achieve (all of them claimed to deal with unemployment, poverty and inequality). These policies failed because of the inappropriate policy instruments that they proposed in order to achieve their goals. In some instances, even the understanding of the reality that they sought to transform has been extremely limited and distorted, leading to a limited number and inappropriate policy tools being deployed, if not some of them plainly wrong. The second phase of the NDR should thus mark a decisive break with neo-liberalism in all its forms<sup>2</sup>.

1.10.1.2. Despite the policies that have been adopted in the past 18 years, we noted in our Growth Path document that unemployment

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<sup>1</sup> See for example GEAR (1996), the Employment Strategy Framework (1998), ASGISA (2004), the New Growth Path (2010).

<sup>2</sup> Neo-liberalism is a package of policies that is made up of the following elements: a) minimal role of the state and dominant role of the private sector in all aspects of the economy (including employment), b) inflation-targeting macroeconomic policy (which invariably implies fiscal conservatism to control inflation), c) promotion of “free markets” through liberalisation: i) financial liberalisation such as dismantling exchange controls and no intervention to manage the exchange rate, ii) trade liberalisation so that multinationals can export and import goods and services at will within their own global value-chains, d) labour market de-regulation such as the use of labour brokers to “ease the hiring and firing of workers by employers”, wage flexibility through limiting collective bargaining coverage, exempting sectors from minimum wage and other laws, etc. e) central bank “independence” in order to insulate the central bank from democratic state control, to protect the interests of finance capital.

among Africans was estimated to be 38% in 1995 and it stood at 45% in 2005. Overall, the unemployment rate in the South African economy was 31% in 1995 and increased to 39% in 2005. So, clearly, the policies of neoliberalism have failed to produce the promised outcomes in the labour market, i.e. the “E” part of GEAR has not materialised. We report below that recent developments do not indicate any change in this situation. We further noted in 2010 the dominant racial dimension of the South African labour market; among Africans of working age (between 15—64 years), only 36% are absorbed into employment whilst on the other hand, 65% of Whites of working age are absorbed into employment.

1.10.2.

It is important to understand that, while unemployment is an intrinsic outcome of the capitalist mode of production, it plays an important role in weakening the power of the working class at the point of production, and in society broadly. In Capital Volume I, Chapter 25, Marx states that the “the mechanism of capitalist production so manages matters that the absolute increase of capital is accompanied by no corresponding rise in the general demand for labour”, primarily because capitalist accumulation is characterised by decreasing labour intensity, which is driven by competition among capitalists and the tendency for capitalists to always find ways to decrease labour costs in order to boost profits. The industrial reserve army of the unemployed that is created as a result of this process “compels those that are employed to furnish more labour”. And so, Marx proceeds, “in the same measure as [the workers] work more, as they produce more wealth for others, and as the productive power of their labour increases, so in the same measure even their function as a means of self-expansion of capital becomes more and more precarious for them”. The poverty of the unemployed compels them to take poverty wages in desperation, whilst the pressure that the unemployed thereby generate on the already employed, compels those who are already employed to be subjected to all sorts of abuses: labour brokers, long working hours, no benefits, no access to legal protection, etc. This is what Marx calls “the despotism of capital” over the entire working class.

1.10.3.

In this context, we have identified the creation of decent work to be the first priority in the Manifesto of our movement and we view it as the most effective weapon to tackle poverty and income inequality. In 2007 South Africa’s expanded unemployment rate was 36% and by 2012, it stood at 37%. Among Africans, the expanded unemployment was about 40% in 2008; this figure had risen to about 46% by 2012. In contrast the unemployment rate for white people, who have minimal discouragement to begin with, was 5% in 2008 and by 2012 this had increased to 8%. In the labour force Africans are 6 times more than whites, but they are more than 80 times the number of whites among the unemployed, if we consider the expanded unemployment. From the standpoint of the restricted definition, Africans are 7 times more than whites in the labour force, but they are 50 times more than whites among the unemployed.

- 1.10.3.1. Women constituted 46% of the South African labour force in 2008 and this figure remained unchanged by 2012. Although women are 86% of the number of men in the labour force, they are as equally unemployed as men, by the restricted definition. This would lead to some 14% gender bias against women, in the incidence of unemployment. However, if we are to consider the so-called “home-makers”, many of whom are African and the overwhelming majority of whom are women, we find that women are almost twice more unemployed than men as of 2012. It is therefore important for the Federation to call on StatsSA to improve the gender aspects of the Quarterly Labour Force Survey and to be more transparent in the calculation of the expanded unemployment rate by race and gender, and similarly to be more transparent in the analysis of those that are not economically active and those that are unemployed.
- 1.10.3.2. In his analysis of the effect of capitalist accumulation on the working class, Marx states in Capital Volume I, Chapter 25, that capitalist accumulation “is always connected with violent fluctuations and transitory production of the surplus-population, whether this takes the more striking form of the repulsion of labourers already employed, or the less evident but not less real form of the more difficult absorption of the additional labouring population through the usual channels”. By the “surplus-population” Marx means the mass of the unemployed, and by “the additional labouring population” Marx refers primarily to the new entrants into the labour market, mainly the youth. In South Africa, these processes that are described by Marx are very stark and indeed more striking. In 2008 new entrants into the labour market made up 31% of the unemployed and those that were repulsed from employment, i.e. job losers made up 43% of the unemployed. Consequently job-losers and new entrants accounted for 74% of the unemployment in 2008. By 2012 new entrants among the unemployed had increased by 198 000 and job-losers among the unemployed had increased by 314 000. Both these segments of the unemployed now account for 75% of the unemployed.
- 1.10.3.3. Between the fourth quarter of 2008 and the first quarter of 2012, the proportion of the unemployed that have been without work for more than a year rose from 61% to 68% of the unemployed, while discouraged work-seekers, who are now 2.3 million, increased by 100% over the same period. Then there is the dubious category of so-called homemakers, which increased by 7%. We say this category is dubious because many women, particularly Africans, would report that they are “home-makers” when in fact they are unemployed, or they would be willing to take up employment if it was available. These facts show that most of South Africa’s unemployment is of a structural nature. They also show that while the economy may experience a cyclical downswing, the resultant job losses translate not into a cyclical unemployment, rather these losses assume a more permanent nature.
- 1.10.3.4. The unemployment crisis, although it is a national catastrophe, revolves around five provinces in the main: the Eastern Cape, Limpopo, North West, Free State and Mpumalanga. Using the expanded

definition of unemployment, in 2009 Limpopo was the leading province with an unemployment rate of 43%. In 2010, Mpumalanga had the highest expanded unemployment rate at 44%. In 2011, North West had the highest expanded unemployment rate at 45%. The North West was also the leading province was in terms of unemployment in 2012, with an unemployment rate of 46%. In many of these cases the Eastern Cape came second, followed by the Free State. It should be noted that by 2012, the four provinces had above 40% expanded unemployment rate, while KZN and Free State have unemployment rates of 39%.

1.10.3.5. The Global Economic Crisis has undoubtedly affected the developments in the unemployment rate since the 10th Congress. Table 1 shows the impact of the global crisis on the South African labour market at a sector level and in the aggregate. Total job losses from 2009 up to the first quarter of 2012 amounted to 744 000, with the largest job losses being registered by the manufacturing, construction, wholesale and retail trade and private household sectors. We also should note that the so-called Finance and Business Services sector combines the financial services, consulting (such as legal and business consulting), and labour brokers (since labour brokers are characterised as a “business service”. Once again, COSATU should call on StatsSA to be more transparent in its report on sectors, both for historical and future data analysis because this lack of transparency assists the bourgeoisie in hiding the distress faced by the working class.

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**Table 1: Job Losses in the South African Economy (2009—2012:1) (Thousands)**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2009-12</b>
<b>Total</b>	869	316	-518	77	<b>744</b>
Agriculture	149	-13	10	-26	120
Mining	25	3	-24	-9	-5
Manufacturing	202	78	-76	67	271*
Utilities	-12	2	18	-10	-2
Construction	106	52	19	71	248*
Trade	291	-10	-113	3	171*
Transport	35	-2	-15	5	23
Finance & Business Service	-123	187	-114	-2	-52
Comm. & Social Services	33	1	-224	11	-179
Private Households	163	18	1	-33	149*

Note: Negative is a job-gain and positive is a job-loss

18.

1.10.3.6. The vast majority of the unemployed, an estimated 72%, are young people between 15—36 years of age. Youth unemployment in particular, is caused by a combination of poor national human resource planning, weak management of the transition between the education system and the workplace, the structure of the economy which remains capital intensive and highly concentrated, the weaknesses of the education system, and the limited role of the state in service delivery, public infrastructure construction and maintenance. The structural features of the unemployed show that market-based incentives that rely on private-sector responses, such as wage subsidies, are likely to be ineffective in tackling the unemployment crisis.

1.10.3.7. On average, 400 000 young people do not proceed with their studies after writing matriculation exams every year. This pool of young people joins the unemployed and swells the ranks of structural unemployment, which takes the form of discouraged work-seekers. With 72% of the unemployed being young people, it makes sense that 95% do not have tertiary education because of the limited capacity of the tertiary sector to absorb them, among other problems. It is an exaggeration to say that the problem of youth unemployment is brought about by the mismatch between the education system and the labour market. Without at all minimizing the existence of this mismatch, the fact that 60% of the unemployed have no secondary education to begin with, indicates that the problem is far more structural and deeper than suggested by the mismatch theorists.

1.10.3.8. What does the bourgeoisie propose as a solution to this crisis? Led by the IMF and the OECD (2010), the following are some of the main pillars they propose, which point towards the creation of a two-tier labour market: a) limitations on collective wage-bargaining not to cover certain categories of workers and businesses (such as SMME's), b) minimum wage-differentiation by age, c) youth wage subsidies to cover the alleged, yet unfounded, gap of youth wages that are above productivity, d) extension of probationary requirements for the newly employed, e) wage and price moderation, with a bias towards wage moderation, since wages are thought to be above productivity, f) "essentialising" certain categories of work, particularly those that are within the public service and g) regulation, rather than banning, of labour brokers, h) limiting the rights of certain categories of workers from having access to the CCMA.

1.10.3.9. Thus, the IMF states:

The labour market appears to be flexible in the volume dimension but wage flexibility seems more limited. South Africa's labour legislation provides important and necessary protections for workers, but the large decline in employment during the recession suggests that some hard choices must now be confronted.

Accordingly, a closer look at the bargaining framework so that it encourages employers and employees to conclude more flexible wage

contracts could help. Such provisions should allow companies to adjust more easily to economic fluctuations in a way that preserves jobs<sup>3</sup>.

1.10.3.10. Secondly, bourgeois analysts claim that in the discussion on employment strategies, the unemployed do not have a voice whilst the employed do. There is therefore a need for the state to regulate the voice of trade unions, so-called “voice-regulation”. Consequently, “difficult choices” should now be made by the state to reform the labour market so that it is inclusive of the unemployed “outsiders”. In this connection, the OECD (2010) states:

A greater level of co-ordination of wage bargaining focusing on wage and price moderation as the ultimate goal, with the government providing a voice for labour market outsiders, could deliver greater wage moderation and increase the credibility of the inflation target. Limiting the legal extension of sectoral bargains would also foster wage moderation and lead to stronger job creation, particularly among smaller and medium sized firms.... Within an overall employment strategy, measures should be targeted at tackling youth unemployment. These could include job search assistance, training-based wage subsidies, age-differentiated minimum wages and extended probationary periods for young workers.

1.10.3.11. The bourgeoisie always likes to project a view that these proposals are “the only practical proposals that are on the table”. As COSATU, we have rejected them consistently in defence of our demand for decent work. We have maintained that such proposals do not address the underlying cause of the unemployment crisis, the historical legacy of Colonialism of a Special Type, which is given greater impetus by the post-1994 neo-liberal policies of financial, and labour market de-regulation, trade-liberalisation, fiscal austerity, tight monetary policy and the minimalist role of the state in the economy.

1.10.3.12. COSATU’s proposals to reduce unemployment use the National Skills Development Strategy III as a point of departure, by calling for expansion of the FET sector to accept 1 million learners per annum by 2014, compared to the current 400 000 per annum. This will in turn reduce the youth labour force, by extending their stay in the education and training system, so that they acquire basic and high-level cognitive skills (as the Germans and now the Australians are doing). Then state-owned enterprises, agencies and departments must stand ready to absorb these young people into practical training and provide work experience, especially given the massive infrastructure backlogs and maintenance that has to be done. The private sector can do the same, without being given wage subsidies, but policies must be in place to support industrialisation and agriculture.

1.10.3.13. The state must have capacity to plan and forecast the numbers of young people who enter the post-school system and exit it, and ensure that no one falls through the cracks. This is what the German system does; it does not encourage young people to enter the labour market without skills. It prepares and empowers young people to have solid career paths in the workplace. We also proposed, in our Growth

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<sup>3</sup> See “Faster Growth To Boost Jobs Is South Africa’s Priority”, IMF Country Survey, 29 September 2010.

Path document, that the state must be an employer-of-last resort, by reconceptualising the expanded public works programme. In other words, the state must phase out the use of tenders and it must directly absorb the unemployment in the delivery of a range of basic services, including the building and maintenance of infrastructure. In so doing, the state is supposed to support local supplier industries through targeted procurement and to build and broaden industrial linkages in order to increase the labour absorptive capacity of the economy.

1.10.3.14.

Seeing that the working class will resist the further de-regulation of the labour market as proposed by the OECD and the IMF: extended probationary periods, age-differentiated minimum wages, limiting the extension of sectoral bargains, wage flexibility, wage subsidies, etc., the bourgeois ideologues in Treasury, and the bourgeois political mouthpiece the DA, have attempted mobilise the reserve army of the unemployed against what they consider to be the “despotism of Trade Unions”, which should be “crushed”. This overt consolidation of elements in the state-apparatus who persistently push anti-COSATU positions, and the political opposition that has adopted a frontal approach to progressive Trade Unions, has amply shown that the bourgeoisie views COSATU to be the primary organisation that should be confronted immediately, among the motive forces of the NDR. This in turn implies that COSATU has to heighten its ideological, political and organisational activism on the ground, especially among the mass of the unemployed. Consequently, one of the priorities for the Federation should be to propose ways in which it can actively and concretely connect its struggles in the workplace with those of the unemployed, and those of working class and poor communities at large.

1.10.3.15.

The second phase of the NDR cannot be founded on the destruction of working class power; it must be led by the working class. The bourgeoisie has failed to provide solutions to our problems, as it normally would fail. Therefore in order to address unemployment, the second phase of the NDR must be characterised by measures to achieve broad-based industrialisation, decisive state intervention to address inequalities and expand infrastructure and quality basic service provision (education, health, housing etc.) and a change in patterns of ownership and control of the economy, as identified by the Freedom Charter, so that the resources that are embedded within the monopolies such as the mines, SASOL, Arcelor-Mittal, etc. are directed by the state to build domestic industries which would create real, productive jobs and to train workers and young people in general to meaningfully participate in the social, political and economic development of our country. The only shortest route to broad-based development available now is the speedy implementation of the Freedom Charter.

## **2.1. The Poverty Crisis**

## 19.

- 2.1.1. The Freedom Charter states that: “Rent and prices shall be lowered; *food plentiful and no-one shall go hungry*”. In the Morogoro Strategy and Tactics (1969), the ANC observed that: “Our people are deprived of their due in the country's wealth; their skills have been suppressed and *poverty and starvation* has been their life experience. The correction of these centuries-old economic injustices lies at the very core of our national aspirations”. In estimating the extent of poverty in South Africa, the RDP states that: “It is estimated that there are at least 17 million people surviving below the Minimum Living Level in South Africa, and of these at least 11 million live in rural areas. For those intent on fermenting violence, these conditions provide fertile ground”. How far have we gone in addressing poverty and starvation among the people?
- 2.1.2. The loss of jobs as a result of the Global Economic Crisis spells poverty for the working class, particularly given the fact that South Africa has no income protection or comprehensive social security system. We have shown in Table 1 that between 2009—2012 South Africa lost 744 000 jobs. Assuming an average R4 000 per month wage for a South African worker<sup>4</sup>, these job losses amount to an average R107 billion loss in workers' income over the three-year period. The IMF argues that had wages been flexible downwards, allowing for wage-depression during the crisis, South Africa would not have had such a massive loss of workers' income. But the flexibility of wages, besides its potentially destabilizing influence on aggregate demand and employment, would imply that the incomes of the vast majority of working class households must be volatile, while the few rich capitalists are cushioned by their high profits.
- 2.1.3. Between 1995—2009 the Human Development Index for South Africa decreased from 0.75 to 0.68. Since the 10<sup>th</sup> Congress, the Human Development Index has continued to plunge to 0.62. It should, however, be noted that this index averages across life expectancy, income and education. The Human Development Report (2010) nevertheless reports that over the same period, the Human Development Index declined from 0.63 to 0.59. Between 1998—2009, the Human Poverty Index increased from 20% to 25%. The percentage of people living below R10 a day was 34% in 2005. In 2008, this number had further increased to 48%. The Presidency's (2010) Development Indicators Report concedes that “after the initial success between 1995 and 2005 (if using the R283 per month poverty line), the severity of poverty has not been dented. This could signal that the poverty reduction policies and the social security net is failing the poorest”. The Presidency's Report suggests that 22.5 million people live below R10 a day, more than what the RDP initially estimated.
- 2.1.4. The Human Development Report (2010) states that 44% of workers in South Africa live on less than R10 a day, which is almost the same as the daily allowance on the child support grant. But this amount can barely pay for a loaf of brown bread a day, which cost R7.50 in 2010. In short 44% of

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<sup>4</sup> See Monthly Earnings of South Africans (2010) for an idea of the average wage in South Africa.

workers in South Africa are working for a loaf of bread on a daily basis. South Africa's economy is intrinsically a low-wage colonial economy. Despite having created an estimated 1.9 million jobs between 2002—2007, these jobs seem to have increased the levels of poverty rather than decreasing them. A measure that assumes individuals need R322 a month to survive show that individual poverty has declined from 52.5% to 49% in 2009<sup>5</sup>. The 15 Year Review from the Presidency attributes this slight decline to an increase in the number of beneficiaries from government's grant system from 2.5 million in 1999 to 12 million in 2007.

**2.1.5.** In 2005, 17% of the South African population were recipients of social assistance grants. In 2009 this number had increased to 26% of the population. This figure has further increased for the year 2009/10 to 28%. The average social grant received in 2008/09 was R453 per month. This amount increased by 5% in the next year to R477. This roughly translates into 28% of South African on the grant system living on R16 a day. The General Household Survey (2002) reports 18% of households had social grants as their main source of income, the 2007 General Household Survey reports this number to have increased to 22% and has remained at this level through 2011. Grants are the second largest source of income among South African households. Combining this with the fact that 44% of South African workers live on less than R10 a day, it is clear that there is widespread poverty in South Africa.

**2.1.6.** Expenditure patterns also point to the phenomenon of persistent poverty in South African society. In 2002, 39% of African households spent less than R399 on a monthly basis, in contrast, only 1% of white households lived under these conditions. From the General Household Survey (2007), African households make up 97% of households who spend less than R400 a month in South Africa. Using 2002 Rands, we find that the number of households who spend less than R399 has increased to 50%. That is to say, half of African households spend less than R399 a month in real terms at 2000 prices. This is in line with the observation by the Human Development Report (2010) and the fact that social grants are an increasing source of income that cushions the poor from absolute abject poverty, despite them being inadequate.

**2.1.7.** Although the number of male-headed households is almost twice as much as that of females, access to salary/or wage income is vastly unequal along gender lines. For example 70% of male-headed households draw their income mainly from wages and salaries, which indicates access to work. On the other hand, 44% of female-heads of households rely on wages and salaries as major sources of income. By 2011, this number had changed, but in a negative way; 53% of female-heads of households drew income mainly from salaries and wages but male-heads of households who draw income from salaries and wages had declined to 69%. Overall, however, there has been a slight decrease in wage/salary income as the main source of income from 58% of households in 2009 to 57% in 2011.

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<sup>5</sup> Development Indicators (2010), The Presidency, 2009, p.18.

- 2.1.8. Writing about the levels of poverty among the working class in England, Marx in Capital Volume I observe that: “The relative surplus-population exists in every possible form”. He then goes on to explain the main categories of the unemployed population and states: “Pauperism is the hospital of the active labour-army and the dead weight of the industrial reserve army...but capital knows how to throw these, for the most part, from its own shoulders on to those of the working class and the lower middle class”. This is exactly the case in South Africa where, “the vast majority of persons that are not employed rely on financial assistance from a person within their household (77.5%). This figure has remained virtually unchanged since 2002 when 76.8% said they are dependent on other household members for support”<sup>6</sup>. These persons within the households of the unemployed are predominantly the employed workers and indeed, the lower middle class that Marx was talking about. The absolute general law of capitalist accumulation described by Marx operates without external interference in South African society.
- 2.1.9. Although vulnerability to hunger has been systematically on the decline since, at least, 2002, from 24% of households to 12%, the General Household Survey (2010) estimates that 24% of South African households have inadequate access to food. This figure was 20% in 2009. In the 2011 Survey, this figure has shown some improvement, with 21% of household having inadequate access to food. This roughly translates into 10 million South Africans who suffer from inadequate food access. This can be explained by the fact that 6 million workers live on less than R10 a day. These workers in turn support on average an additional 4 people in the household. This means that 30 million South Africans live on less than R10 a day. As we have noted, R10 can barely buy one loaf of bread (and perhaps two packets of Kool Aid Sweet). If the figures from the Human Development Report were to be believed, it would mean that the 48% statistic from the Presidential Development Indicators Report is an understatement of the situation. In fact, it is likely that at least 60% of South Africans live on less than R10 a day.
- 2.1.10. The Freedom Charter is clear that in a democratic South Africa, no one shall go hungry. Almost 20 years into democracy, about 5.3 million South Africans suffer from hunger. The Freedom Charter says food shall be plentiful. However, some 9.2 million South Africans have inadequate food on a daily basis. The difficulty in dealing decisively with these obvious aspects of poverty lies in the fact that the underlying colonial and capitalist power relations in the economy have not been transformed. As the RDP stated: “Poverty is the single greatest burden of South Africa's people, and *is the direct result of the apartheid system and the grossly skewed nature of business and industrial development which accompanied it*”. Business is still grossly skewed, industrial development has regressed and not progressed and the overall patterns of apartheid underdevelopment remain entrenched. It is no wonder that there is little progress in realising the demands of the Freedom Charter.

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<sup>6</sup> See the General Household Survey, 2007.

2.2. The facts that we have mentioned above, which will be further elaborated in our report on the labour market, shows that there is a significant segment of the employed working class that is in poverty. The above figures also show that it is mistaken to think that any kind of job will reduce poverty, just as much as it is mistaken to think that any kind of growth will do so. If employment is to be the primary instrument to fight poverty and inequality, then such employment will have to be decent. For the majority of workers and the increasing number of the young, casual and brokered labourers, working has become an impoverishing activity. On the other hand, the bourgeoisie is hard at work to turn the attitude of society against COSATU and the broader labour movement. They present organized workers as beneficiaries of the current state of affairs, whose trade unions exclude the views of the unemployed in policy discussions, and thereby cause social and economic marginalization. What they want is to employ people at wages that are worse than the current levels, to drive workers to live on far less than R10 a day.

20.

### 3. The Income Inequality Crisis

3.1.1. The Freedom Charter states: “The People Shall Share in the Country’s Wealth”! The Charter further demands that: “Men and women of all races shall receive equal pay for equal work”.

3.1.2. In this section of the report, we focus on patterns of income inequality. Recent estimates suggest that the top 5% earners take 30 times what the bottom 5% earners take<sup>7</sup>. White people earn on average 4 times what Africans earn, but estimates from the Community Survey (2007) say that whites earn 8 times what Africans earn, where it is estimated that an African male earns an average of R2 400 whilst a white male earns R19 000. This would mean that at the least, given an 8-hr working day, whites earn in 1 hour what Africans earn in a day. An estimated 81% of Africans earns less than R6 000 whilst 56% of whites earns more than R6 000. The Earnings Survey estimates that women earn 77% of what men earn, although the Community Survey (2007) estimates that males earn twice what women earn. Income inequalities have also increased within racial groups and most of the increase has been among Coloured people whilst the smallest increase in income inequality has been among Africans.

3.1.3. The share of workers in national income declined from 55% in 2000 to 49% in 2008. During the crisis, the workers’ share increased from 49% to 52% between 2009 and 2010, and has since fallen below 50%. We called this fall in workers’ share *reverse redistribution from the poor to the rich*. The rate of exploitation of labour however shows a steady upward trend that stabilizes during the economic crisis. Our estimation is that almost 80% of the workforce is the working class, i.e. those who rely solely on wage-labour for survival and less than 1% of the “labour force” is capitalist, i.e.

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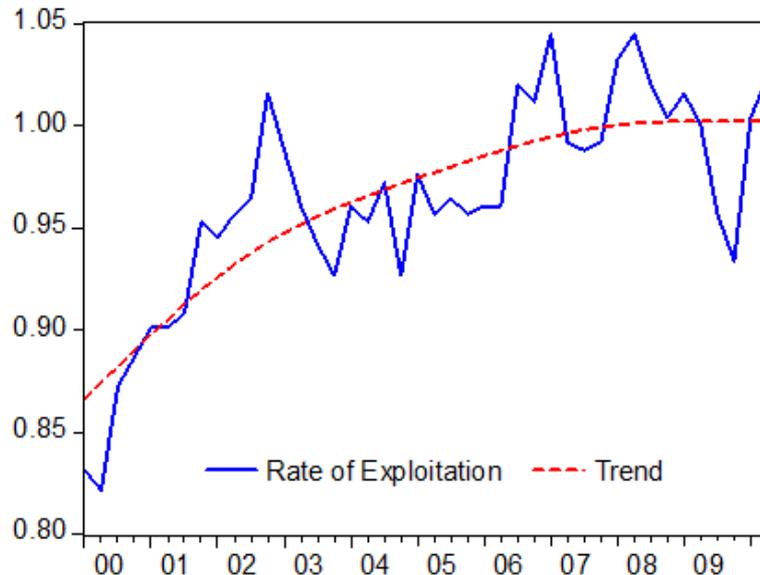
<sup>7</sup> See Monthly Earnings of South Africans, Statistics South Africa, 30 November 2010.

predominantly survives on interest, profit and rental incomes. Figure 1 mean that the profits earned by capitalists are equal to the total amount of wages earned in the South African economy. This gross inequality is confirmed by the fact that 50% of South Africans survive on 8% of national income<sup>8</sup>.

21.

**Figure 1: The Rate of Exploitation of Labour**

22.



3.1.4. Figure 1 suggests that the rate of exploitation is now 100%, i.e. capitalists appropriate an amount of money that is equal to the sum total of wages that are earned in the economy. However, Figure 1 contains a distortion due to the nature of the data. The Monthly Earnings Survey (2010) suggests that the rate of exploitation is far higher than this. The ratio of employer's earnings to what employees earn is 2.5, which means that the rate of exploitation may be as high as 250%. The steady increase in the rate of exploitation of workers as depicted in Figure 1 shows that the democratic order has a strong capitalist orientation, and its economics does not accord with one of the basic features that should underpin the national democratic revolution.

3.1.5. Between 2008 and 2009 the rate of exploitation declined. It is this decline that has led some bourgeois analysts to blame the massive increase in job losses to the failure of wages to fall in the light of the economic crisis. Their argument is fairly simple. If firms face a fall in demand for their goods and services, they will experience a decline in profits. Workers should then demand less wage increases in order to minimize job-losses. The argument is that, if workers maintain their wage demands, firms will be forced to layoff large numbers as profits are squeezed. If workers agree to lower their wage demands or even freeze wage increases, few workers will be laid off. The IMF states:

<sup>8</sup> See Budget Speech, February 2010.

23. Thus, the strong wage growth that continued during the recession looks to have contributed to the substantial job losses. In the staff's view, this suggests that the wage bargaining framework is not sufficiently flexible<sup>9</sup>.

**3.1.6.** We obviously reject this perspective. We argue that the fundamentals of the economy are in the first place flawed. Economic growth and job-creation that are founded on a persistent increase in the rate of exploitation of labour are not sustainable. Firstly, they tend to create a contradiction between the growth of the productive forces and the size of the market. Secondly, they tend to increase the indebtedness of the working class and thereby lay the basis for a credit crisis, as we have seen with the current crisis. The massive job increases that have been created between 2001 and 2007 have failed to tackle the poverty crisis. Neither does the IMF consider the already squeezed workers who support 78% of the unemployed nor do they ever think of the already worsened income inequality over the boom years of 2002—2007.

**3.1.7.** Instead of calling for a change in the quality of employment as they call for a change in the quality of growth, bourgeois analysts blame the labour movement for demanding decent work. They narrowly counterpose a living wage with the level of employment, forgetting that employment with a near-zero wage is unsustainable from a macroeconomic perspective, and is unviable from the perspective of the individual worker. Capitalist firms know that below a certain price, production becomes unviable and they have to either suspend production or shut down. The same applies to the reproduction of labour-power, below a certain wage, working becomes unviable. But at the risk of being thrown into absolute abject poverty, workers continue to sustain working by either walking to work, using wood for cooking and electricity for lighting, staying in a shack, collecting water from the nearest school, etc, whilst the rate of exploitation and poverty steadily increase.

**3.1.8.** In our Growth Path document, we also reported that the Gini coefficient stood at 0.64 in 1995 and it increased to 0.68 in 2008<sup>10</sup>. The top 10% of the rich accounted for 33 times the income earned by the bottom 10% in 2000<sup>11</sup>. Approximately 20% of South Africans earned less than R800 a month in 2002, the situation is worse for Africans. By 2007, approximately 71% of African female-headed households earned less than R800 a month and 59% of these had no income; 58% of African male-headed households earn less than R800 a month and 48% had no income. Even the Minister of Finance has acknowledged that 50% of the population lives on 8% of national income in South Africa<sup>12</sup>.

**3.1.9.** Inequality in incomes finds expression in patterns of expenditure among households; more than 90% of white households spend more than

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<sup>9</sup> See IMF Staff Report for the 2010 Article IV Consultation, 23 June 2010.

<sup>10</sup> Development Indicators 2009, The Presidency, p.25. These are based on Income Expenditure Surveys.

<sup>11</sup> Human Development Report: Fighting Climate Change-Human Solidarity in a Divided World, 2007/08, p.283.

R1 800 per month for their upkeep, and 48% of white households spend more than R10 000 a month. On the other hand, 27% of African households spend more than R1 800 a month, and only 4% of African households spend more than R10 000 a month for their upkeep. These vast inequalities in expenditure are a direct result of inequalities in income. The World Development Report (2006) states that a white male South African spent 30 times what an African female spends for their upkeep in 2000. Specifically, an African female spent R119 a month, whilst a white male spent an average of R3 662 a month in 2000. These numbers have of course vastly changed, most probably for the worst, given the deterioration in income inequality that we have reported above.

**3.1.10.** In 2010, we reported that the top 20 directors of JSE-listed companies, the overwhelming majority of whom are still white males, earned an average of R59 million per annum each. We further reported that on average, each of the top 20 paid directors in JSE-listed companies earned 1728 times the average income of a South African worker. Furthermore, on average, between 2007 and 2008, these directors experienced 124% increase in their earnings<sup>13</sup>, compared to below 10% settlements that ordinary workers tend to settle at. Hefty increases were also seen in state-owned enterprises. Directors in state-owned enterprises also experienced the same rate of increase their earnings, thereby contributing to income disparities in the economy. The top 20 directors in SOE's experienced a 59% increase in their earnings, collectively raking in R132 223 million. This amounts to R6.6 million per director, which is 194 times the average income of the South African worker.

**3.1.11.** In 2010 we reported that the executive pay gap in South Africa is obscene. We noted that South Africa's executive pay gap is far worse than in the US, where it is estimated that CEO pay was 319 times that of the average worker in 2008. The PriceWaterhouseCoopers Report (2010) on Executive Pay in South Africa echoes the same results, having found that more than half of executives in large JSE-listed companies earned *more than* R10 million per annum: "The lowest paid workers have monthly salaries of around R3 500, which equates to R42 000 per annum. This equates to a pay gap in the order of 250-300 times. Many question the morality of paying one human being 300 times more than another for an honest day's work", although of course the PWC Report exaggerates the monthly earnings of the lowest paid workers, as will be seen in the discussion on the labour market.

**3.1.12.** In a recent report, the World Bank rehashes its findings about the horrifying levels of inequality in South Africa. Way back in 2006, the World Bank had this to say about South Africa's inequalities: "Consider two

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<sup>12</sup> In the Budget Speech 2010, the Minister of Finance notes that in South Africa "income inequality is among the highest in the world; and half of our population survives on 8% of national income". Nevertheless, the policy proposals that are contained in the Budget Review 2010, completely fail to address this problem.

<sup>13</sup> McGregor's Who Owns Whom, 30<sup>th</sup> Edition, 2010, p.45.

South African children born on the same day in 2000. Nthabiseng is black, born to a poor family in a rural area in the Eastern Cape province, about 700 kilometers from Cape Town. Her mother had no formal schooling. Pieter is white, born to a wealthy family in Cape Town. His mother completed a college education at the nearby prestigious Stellenbosch University. On the day of their birth, Nthabiseng and Pieter could hardly be held responsible for their family circumstances: their race, their parents' income and education, their urban or rural location, or indeed their sex". The World Bank thought these disparities to be a result of "inequality in opportunity" and not a result of unequal power relations that characterise colonialism.

**3.1.13.** In 2012, the World Bank repeats the same message: "A girl (let's call her Thandiwe) born in the township of Tembisa outside Johannesburg to a single, uneducated mother earning R2, 000 a month and with four other siblings should have an equal shot at becoming a doctor or an engineer as a boy (let's call him Andries) with one sibling, born in a two-parent household in Sandton, Johannesburg. And so should a girl (let's call her Nothando), born in a family with similar characteristics as Thandiwe's, but living in the rural area of Eshowe in KwaZulu Natal. What would it take to equalize Nothando's, Thandiwe's, and Andries's chances of success in life"? Could it be that the World Bank is seriously incapable of understanding the colonial history of our country, nor is it possible that the Bank simply minimises the implications of the on-going colonial domination of the vast majority of Black people, particularly the Black working class on the trajectory of their lives?

**3.1.14.** Is it really true that adding a bit more education, changing where you live, and getting a bit older, will address the underlying problems that led to the national liberation struggle? Our colonial situation cannot be explained away in fables, the reality of our situation requires far more radical steps than what the World Bank has been advising government over the past 18 years. The World Bank suggests, wrongly, that the colonial and capitalist situation in our country can be resolved by "distributing opportunities equally", and not through democratising ownership and control of monopoly industries in our country, thereby transforming power relations in our society. We should not forget that it was the very same World Bank that led a counter-revolution in economic policy in our country, called GEAR, against the RDP. This counter-revolution has sunk us deeper into a social crisis—the very horrifying "inequality crisis" that the World Bank today seems to have re-discovered!

**3.1.15.** Income inequality has moved in opposite direction to the one demanded in the Freedom Charter. The people do not share equitably in the country's wealth. Inequality is still very much defined along racial lines. A number of commentators have mentioned that educational attainment is becoming the main driver of inequality. However, a brief sociological analysis would quickly reveal that educational attainment and quality are still defined mainly along racial lines, which means that racial domination takes both direct and indirect forms. The demand that "men and women of all races shall receive equal pay for equal work" is yet to be realised, almost 20 years into democracy.

3.1.16. The above facts also re-affirm our view that the “R” part of GEAR has clearly not materialised. As long as there is no “overarching strategy of redistribution” that will set parameters for growth and employment, there is no hope that this current growth trajectory will be transformed. Unless redistribution of income in favour of the working class is placed at the centre of economic policy, reverse redistribution will continue to underpin South Africa’s growth path.

24.

### 3.2. **Ownership and Control of the South African Economy: Inequality in Economic Power**

25.

3.3. Whilst not in the least rejecting the importance of bourgeois democratic advances in the struggles of the working class, Engels in his Principles of Communism, observed that: “Democracy would be quite useless to the proletariat if it were not immediately utilised as a means of accomplishing further measures directly attacking private ownership and securing the existence of the proletariat...Once the first radical onslaught upon private ownership has been made, the proletariat will be compelled to go further, and more and more to concentrate in the hands of the State all capital, all agriculture, all industry, all transport, and all means of exchange”. This process is not simply going to take place through winning of debates and arguments in conferences. It is fundamentally a matter that can be resolved in the field of concrete class struggles.

3.4. Whilst 1994 marks an important breakthrough and a crucial turning point in the struggles of the working class in South Africa, the democracy that it has ushered in has yet to deliver tangible material benefits to the vast majority of the working class. The observation by the SACP in its 12<sup>th</sup> Congress is very relevant here: “We must celebrate what we have achieved. We must build upon it. But we cannot simply continue to march to the hymn of “the revolution is on track”, or “today is better than yesterday”, and therefore supposedly “tomorrow will be better than today”. There is nothing pre-ordained, or guaranteed about progress. The future of our country is deeply contested. And that contest is, fundamentally, a CLASS contest”. As long as the material conditions of the working class do not drastically improve to meet the demands of the Freedom Charter and the RDP, the significance of the struggles against the apartheid state, which culminated in the 1994 breakthrough, will gradually dissolve in the face of the poverty, unemployment and inequality that is being sustained and generated by the “new democratic capitalism”.

3.5. The Report of the Workshop on Economic Policy for a Post-Apartheid South Africa (1990), states a very clear conception about the role of the democratic state, along the lines of Engels. It is under the section dealing with “Conglomerates and Foreign Investment”, where issues of “ownership and nationalization” of the means of production are discussed. In that section, the Report states: “The transformation of

the economy will require a viable state sector. Nationalization would be an essential part of the reconstruction programme of such a state. The non-racial democratic state would retain existing nationalized industries and would be prepared as a matter of fundamental policy to renationalize privatized assets. Furthermore it would set up new state corporations in areas where necessary...nationalization would be effected through legal and constitutional processes. In addition to these measures the democratic state would also facilitate forms of collective ownership, including co-operatives”.

- 3.6. The Freedom Charter states that, in a democratic South Africa: “The national wealth of our country, the heritage of South Africans, shall be restored to the people; the mineral wealth beneath the soil, the Banks and monopoly industry shall be transferred to the ownership of the people as a whole; all other industry and trade shall be controlled to assist the wellbeing of the people”. Furthermore, the ANC stated, in the Morogoro Strategy and Tactics (1969): “We do not understand the complexities which will face a people's government during the transformation period nor the enormity of the problems of meeting economic needs of the mass of the oppressed people. But one thing is certain - in our land this cannot be effectively tackled unless the basic wealth and the basic resources are at the disposal of the people as a whole and are not manipulated by sections or individuals be they White or Black.” How far have we moved to realise these demands?
- 3.7. COSATU has historically regarded nationalisation as a fundamental strategic intervention that is required to truly transform the South African economy, as the 9<sup>th</sup> Congress has emphasised. In 2010, we explicitly said: “*Strategic nationalization* should meet three objectives: a) stimulate economic growth, b) to determine the strategic direction of the economy and c) to enlarge available resources”. One criterion for selecting industries or companies to be nationalized is that certain areas that may have to be addressed would require resources that are under “natural monopolies”, which the apartheid state had started privatizing. But this does not preclude the state from identifying strategic industries and sectors through which it can influence the direction of the economy, in line with the framework of a genuinely new growth path. We then identified the following sectors for strategic nationalisation: a) banking, b) petrochemicals, c) forestry, d) cement, e) metals fabrication (especially steel), f) construction (to address infrastructure backlogs), g) pharmaceuticals, h) machinery and equipment, i) telecommunications and j) mining.
- 3.8. In order to illustrate inequalities in economic power, we begin by specifying the structure of the economy and then proceed to identify the main owners of the means of production in the relevant sectors: a) the manufacturing sector currently accounts for 15% of national output, b) finance, real estate and business services accounts for 24% and c) wholesale and retail trade accounts for 14%. The sectors and the extent of their concentration in terms of economic power are as follows:

- The financial sector (banking and insurance) is a monopoly industry: Dominated by 4 large privately owned banks (ABSA, Nedbank, FNB and Standard Bank), two of which have significant foreign ownership. Insurance and re-insurance is dominated by Mutual and Federal, Old Mutual, Sanlam, Chartis, Santam, Swiss Re-insurance, Africa Re-insurance, Munich Re-insurance, Chartis, etc. ABSA is 56% foreign-owned whilst Standard Bank is at least 40% foreign owned. The Reserve Bank is also privately owned and has foreign ownership too.
- The wholesale and retail trade sector is a monopoly industry, dominated by two firms: Shoprite and Pick 'n Pay, which constitute 66% of the markets share. Massmart (soon-to-be Walmart) is 60% foreign-owned, Shoprite is 35%, Truworths is 50%, Foschini is 40%, JD Group is 40%, Lewis is 30%, Pick 'n Pay has less than 10%, Spar under 20% and Mr Price and Woolworths 20%<sup>14</sup>. The state does not play any role in this sector.
- Manufacturing is dominated by two sectors, within which there are monopolies: petro-chemicals and basic iron and steel, which are dominated by SASOL and Arcelor-Mittal. SASOL is about 30% foreign-owned and Arcelor-Mittal is 65% foreign owned. More than 80% of the Johannesburg Stock Exchange is accounted for by the large banks and the few companies in the traditional sectors: mining and energy. All these companies are white, private, capitalist-owned and they are increasingly being foreign-owned.
- The Forestry sector is also monopolised by two major players, SAPPI and MONDI, with the state, through SAFCOL, playing a minor role. These firms are integrated with sawmills, and feed into the highly monopolised furniture sector downstream. The entire paper, pulp and wood production in the country relies on these few firms.
- The cement sector is also dominated by 4 players (PPC, Alpha, Lafarge and Natal Portland), in which each player has significant pricing power. The sector depends on quarrying, which exploits a natural resource. Quarries must naturally be democratised through state ownership.
- The construction sector is also monopolised, dominated by four players: Murray & Roberts, WBHO, Aveng and Group 5. We proposed in 2010 that the state should directly deliver basic goods and services. This means that it should build its capacity to construct infrastructure, public housing, hospitals, schools, clinics, roads, dams, bridges, etc., through a state construction company.
- Machinery and equipment is a diverse sector, however it is crucial for the state to control heavy equipment production such as earth-moving machinery for construction and mining. The state should by now, have led the process of manufacturing of a South African made automobile, in line with the RDP. Currently, the sector is dominated by foreign companies primarily through the major import fronting company in South Africa, Barloworld. The major equipment players are Caterpillar, John Deere/Bell, Komatsu, Manitou

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14 See The Timeslive, 'Local Retailer' Share Prices Surge, 2 May 2010.

SA and Thyssen-Krupp. All these are foreign owned companies that play a strategic role in the country's capital equipment supply.

- Telecommunications: In this sector the state plays a significant role through Telkom. However the experience of private and foreign ownership of Telkom has shown the dangers of privatisation of strategic sectors. The Thintana Deal in 1997, which led to massive job losses in Telkom from 67 000 to 25 000, has left the country poorer and in a worse socio-economic position. This was not helped by the further sale of Telkom shares in Vodacom to Vodafone. By and large, the telecommunications sector is not in the state's hands, despite control measures through ICASA. The massive profits that are appropriated in the sector go mainly in the pockets of individuals, a significant number of whom are foreigners.
- The pharmaceuticals sector is also brimming with profits, in the context where the state has no power at the point of production. This too is a jungle that is ruled by foreign companies: Aspen, Adcock-Ingram, Sanofi, Pfizer, Novartis, etc. have all significant foreign-ownership, if not some of them are foreign companies to begin with, and feed profits on the burden of disease in South Africa. That is why we insist on a 100% state-owned pharmaceutical company, so that it is not mixed up with profit-maximisation at the expense of our people's lives.
- Mining is a monopolised sector too, in all its varied aspects because of the various minerals under it. Iron-ore, so crucial to steel production is dominated by Kumba Iron-Ore, which is majority foreign-owned. Manganese production is dominated by Samancor, which is a joint venture of foreign-owned mining houses, Samancor Chrome, is also a majority foreign-owned entity, vanadium is controlled by Vanchem also foreign owned, coal production is majority owned and controlled by foreign companies (with Exxaro's exaggerated black ownership being among them), etc. In short all minerals in South Africa are majority foreign-owned and controlled.

3.9. The ownership and control aspects of the Freedom Charter have, admittedly, not been pursued. The impact of this excessive foreign ownership has serious macroeconomic implications, because profits made are repatriated to foreign owners, creating balance of payments problems that limit the capacity of the economy to finance development on the basis of domestic resources. Consequently, and contrary to the RDP, South Africa becomes increasingly reliant on foreign direct investment for development. In 2010, in our Growth Path document we mentioned that top management and senior managers continue to be predominantly drawn from the white population. This perpetuates historical networks that determine the probability of promotion, training and recruitment. In turn, this determines whether one moves to a higher income bracket or not. That 45% of all top management promotions went to white males and 17% went to white females in 2008 is an indictment of the socio-economic quality of our democracy. African males and females account for 13% and 6% of all promotions and recruitment in top management respectively. In short, 62% of all promotions and recruitments were drawn from 12% of the South

African population<sup>15</sup>. The current democratic dispensation thus reproduces the colonial character of the control of the forces of production in our economy. How have matters changed in 2011?

- 3.10. The Chairperson of the Commission on Employment and Equity writes in her foreword to the EE Report (2011): “Research from BUSA shows that more than 90% of the CEO positions at JSE listed companies are still dominated by White males, with a number of them nearing retirement”. The patterns of recruitment and promotion into top positions have not changed, 62% is still the norm for white people. The report mentions that Whites still dominate with 73.1% at the Top Management Level, Male representation is nearly four times that of women at this level and the representation of people with disabilities at this level was recorded at 1.4%.
- 3.11. It is no wonder that South Africa is failing to even get out of the ideological mould of racism, as the ANC Morogoro Strategy and Tactics maintains: “To allow the existing economic forces to retain their interests intact is to feed the root of racial supremacy and does not represent even the shadow of liberation”. So, where does this idea that racism and national divisions can be overcome through a series of summits, come from?

26.

#### 4. The Land Question

27.

- 4.1. The Freedom Charter states that: “The land shall be shared among those who work it”. It furthermore states, among other clauses, that all the land re-divided amongst those who work it to banish famine and land hunger; the state shall help the peasants with implements, seed, tractors and dams to save the soil and assist the tillers”. The year 2013 will mark 100 years of systematic land dispossession, which gave effect to the concept of the Union of South Africa. Land dispossession turned the majority of South Africans into wage-slaves, they were forced to live in under-developed areas and suffered super-exploitation by the white colonialist who formed the Union called South Africa. The manner in which the movement deals with the Land Question is therefore important, and should be comprehensive. The Land question is about property relations; who owns the land, land use—the land is used for what purposes and addressing the question of rural under-development.
- 4.2. Agricultural land-ownership also remains concentrated and colonial. Estimates are that Black people own between 13—16% of agricultural land in South Africa. Only 10% of the 30% land earmarked for land restitution has been transferred to black farmers, the target date for the 30% is 2014.<sup>16</sup> Efforts at land redistribution have largely been unsuccessful because of lack of post-reform support to beneficiaries. It

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<sup>15</sup> See the Employment Equity Report (2008/2009).

is estimated that more than 70% of redistributed land became unproductive after the reform process. In this regard, the Department of Rural Development and Land Reform and the Department of Agriculture, have joined forces to ensure physical infrastructure and skills development support for reform beneficiaries.

- 4.3. The Department of Rural Development and Land Reform in its Strategic Plan 2010—2013, seeks among other things, to recapitalise and develop farms in distress, acquired since 1994. The Department seeks to provide functional agricultural infrastructure to these farms in order to improve production (fencing, irrigation and dipping tanks). It is however not clear whether these initiatives are directed at changing patterns of agrarian production, or whether the Department seeks to increase production within the existing patterns. The strategic plan does not clarify this question.
- 4.4. In addition to these initiatives access to finance, markets and new technologies will have to be made available to beneficiaries of land reform. Just as much as the IDC is being transformed to provide concessional finance to targeted industries, the agriculture sector requires similar attention in order to secure national and regional food security. However, key inputs into the agricultural sector, such as basic chemicals and fertilizers and plastic pipes, are productively linked to the highly monopolized petro-chemicals sector, particularly SASOL, which is privately and foreign-owned.
- 4.5. Of importance though in relation to the Land Question are property relations. The National Democratic Revolution is not a bourgeois revolution, but neither it a socialist revolution either. However, in the context where, as the document suggests, there is massive centralisation and concentration of land ownership in agriculture and monopoly domination in the agricultural value-chains, the document seeks to reinforce private capitalist ownership, but now in a de-racialised form. But the Morogoro conference stated that our revolution is not aimed at replacing the white capitalist with a black one. What the Land Policy Proposals are supposed to outline are the best ways in which the economies of scale that are embedded in large-scale commercial farms can be exploited for the benefit of the people. In other words, property relations on land should be geared in such a way as to introduce more progressive, non-capitalist ways of undertaking production in the rural areas.
- 4.6. Whilst de-racialisation of the rural areas is an important part of the NDR, it is also important that the productive forces that are embedded in large-scale farms be operated within the context of more progressive social relations. It is true that small-scale farms must be supported. However the reality is that large-scale farms define power relations in agriculture. It is large farms that supply the bulk of the food and other products. The issue is what do we do with the continued

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16 Department of Rural Development and Land Reform Annual Report 2009-2010, p. 27.

monopolisation of these large-scale productive forces by a few white monopoly capitalists? The document does not address this fundamental question. Yet, in the 52nd Conference, we agreed that monopoly domination is an obstacle to our economic transformation programme.

4.7. As COSATU we are now escalating our resolutions on land ownership to call for state ownership of all the land in this country. This will empower the democratic state to break the power of white capital, strengthen the capacity of the state to regulate land use and to abolish speculation. Once the state owns the land, then it can decide on a lease basis as to who should use it and for what purposes. Land should be the heritage of all South Africans, owned by the democratic state and shared in use, not in ownership, among those who work it. This is the best way in which the state can secure food security and reduce land under-utilisation. Thus the question of defining property rights to land ownership falls away. What remains is the administration of land use and allocation, including the determination of rent that should be paid to the state for land-use.

4.8. Consequently, COSATU should consider reformulating its proposals and perspectives on land reform, to distinguish between ownership and use. This would require that “redistribution of land” in COSATU perspective should be understood as “redistribution of land among those who work it” and not redistribution of land in terms of ownership, since to us land ownership should be vested in the state. To address the slow progress in “land distribution in use” requires urgent rethink of government strategy. Some of COSATU’s perspectives on land reform are as follows:

- Increase the target for black commercial use of land: 30% percent is a completely inadequate target for land redistribution given the demographics of South Africa’s population. Even if it is impractical to expect the state to achieve a higher target by 2014, there should at least be a higher target in the longer term. This is important to push forward, because in recent years, programmes specifically designed for poor households have been curtailed and there has been a greater emphasis on developing a new class of commercial farmers.
- Dramatically increase the funds allocated for land reform: Land reform is not about land transfers alone. Sufficient funding must be allocated to reform support programmes that can ensure the success and sustainability of land reform beneficiaries. The Comprehensive Agricultural Support Programme launched in 2004 is inadequate to meet these needs. The Land bank must play the active role. It must be able to support agricultural activities mostly for poor communities. Part of the problems with the massive failure of the land reform programme in the past 18 years has been inadequate infrastructure on the land, lack of access to markets, finance and skills. Consequently more resources should be made available to address this problem through, among other things, capacitating the Land Bank within the context of an overarching state-controlled financial system.

- Use expropriation powers more aggressively: Government has announced the rethinking on the “willing buyer-willing seller” policy that has limited its options in the past. COSATU welcomes this move, although government does not seem to be prepared to use its expropriation powers aggressively, as resolved in the 52nd Conference of the ANC. The new Proactive Land Acquisition Strategy (PLAS) does not give provincial DLA offices sufficient direction on expropriation; as a result there are large variations in how the policy is being applied. The dominant model is to conclude leases with an option to purchase in the expectation that in 3-5 years successful farmers can be given an opportunity to purchase their land from the state with their LRAD grants or at a concessionary price. This is problematic, since this strategy is premised on private ownership of land.
- Pay more attention to the needs and interests of marginalised groups: Targets for the inclusion of women, youth and disabled people in land reform programmes are widely ignored. Communal tenure reform, in particular, must be implemented in a manner that protects the rights of women. We need to debate the impact of the Communal Land Rights Act, which is likely to worsen the position of women.
- Halt the process by which the state relinquishes land in order to make up for land redistribution, whilst racial, gender and class concentration of ownership of land still persists.
- Make available un-used state land to be productively used by co-operatives
- Develop a policy to deal with expropriation of unused or unproductive land, including land currently used for game-farming, golf-estates and land held for speculative purposes
- Abolish foreign ownership of land, and encourage productive, job-creating foreign investment in agriculture
- Ensure that the state expropriate land for the purposes of meeting basic needs, including laying down infrastructure and housing

4.9. There are clearly serious challenges regarding the land question. The state has yet to develop a systematic approach to ensure that those who work the land actually share it in various forms of economic organisation, including worker-controlled co-operatives. The state does not have a coherent, systematic programme to support farmers with seeds, tractors, etc. Of course land reform must be accompanied by rural development and agrarian transformation, issues that we have tackled in detail in our Growth Path document. However, the property question must take the centre stage in the second phase of the NDR, because it is the very reason why the national liberation struggle was initiated to begin with. The second phase of the NDR must clearly and succinctly spell out how our land, the heritage of all of us South Africans, can be restored to the people as a whole. How will the land be shared among those who work it? What concrete measures will be put in place to ensure that those who work the land are supplied with tractors, seeds, finance, etc? We believe that without state-ownership

of land and ownership and control of decisive means of production such as steel, petro-chemicals, etc. these developmental tasks will not be achieved.

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## 5. Macroeconomic Policy and the New Growth Path

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5.1. Our assessment of macroeconomic policy and the new growth path follows the view that emerged from the Central Committee and, subsequently, the extended Central Executive Committee. COSATU made a number of resolutions in relation to fiscal and monetary policy issues. In relation to monetary policy issues, we resolved the following:

- Government must develop a growth and development path framework document, to which macro, micro, spatial and rural development policy must hang
- The Reserve Bank must abandon inflation targeting and target economic growth and employment targets
- The SARB must intervene in the foreign exchange markets, or announce its intentions to do so
- Move towards a 100% state owned Reserve Bank, completely independent from the undue influence of capital through its shareholding and participation in the governance and policy making bodies of the bank.
- Reinstatement of capital controls to prevent the asset stripping of South African industry.
- To actively join forces with those campaigning for the immediate implementation of the progressive taxation to finance public and social expenditure, among others.

5.2. Before assessing progress in relation to these resolutions, we first present macroeconomic developments. South Africa has just been accepted to join the BRIC countries. These countries have fast-growing economies with low unemployment. Historically, they tend to follow unconventional policies to support national development. These countries are well known for their interventionist states. They have state-owned central banks, state banks that operate at the same level as ordinary commercial banks and they use trade and industrial policy instruments that would ordinarily be rejected off-hand here in South Africa. Although, like any other country, each claims to be concerned about inflation, this is not their overriding concern. Their central banks subordinate inflation concerns to employment, industrial development and economic growth. In short, when it comes to policy tools, these countries embody almost everything that South Africa rejects.

5.3. Despite this, these BRIC countries are expected to grow at a higher rate and to maintain single-digit unemployment rates, despite the on-going crisis. Whilst South Korea is not part of BRIC, it belongs to this unconventional family of countries from a policy point of view. In 2011,

South Korea was expected to grow at 4.6% and to maintain an unemployment rate of 3.3%. India was expected to grow at 8.5%, to run a budget deficit of 9.5%, a small current account deficit of 2.95%. A key feature of the BRIC countries is that they refuse to be used by global powers to bear the brunt of global adjustment. The IMF has recommended that in order to deal with global imbalances, these countries should allow their currencies to be strong so that the US Dollar, Pound and the Euro can be weak for Western capitalism to export its way out of the crisis. The BRIC and related countries resist this, not South Africa.

- 5.4. This refusal by BRIC countries to bear the brunt of global adjustment and their assertion of national policy autonomy takes the form of targeting moderate current account deficits, if not surpluses. India for example, has made a choice of embarking on fiscal expansion in order to maintain its growth rate, and moderately runs a current account deficit by putting in place measures to limit exchange rate appreciation, and to ensure job-protection, through its state-owned banking system, by a sufficient supply of credit to productive sectors. Brazil is imposing taxes on speculative capital inflows and thereby raises revenues to finance long-term development. South Korea has a battery of restrictions and taxes and is considering new ways of taking advantage of capital inflows. All the BRIC countries are actively engaged in aggressive multi-instrument interventions to limit exchange rate appreciation.
- 5.5. When reading the country reports to the G20 Summit held in South Korea in 2010, we are struck by the extent to which BRIC country reports are vague on the question of what they have done in order to rebalance the global economy. This is an effort on their part to defend their policy space. Global rebalancing involves maintaining market-determined exchange rates, fiscal consolidation or a reduction of fiscal deficits, pursuance of inflation targeting and anti-protectionism. However, exchange rates cannot be market determined when the US is embarking on quantitative easing, printing money as a means to weaken the dollar, thereby exporting its way out of the crisis. Fiscal consolidation implies a cutback on social services, but maintenance of mega-projects from which monopoly capital makes money and the pursuance of inflation-targeting narrows the scope for the control of the financial sector to play a developmental role. The conduct of monetary policy by the US, especially the forcible appreciation of currencies in developing countries and emerging markets through quantitative easing, is a form of protectionism.
- 5.6. There has been refusal on the side policymakers in South Africa to deploy tools in order to intervene in currency markets. There has been reluctance to introduce a tax on short-term capital flows, no measures to regulate financial sector activity in order to limit the excessive and corrosive growth of financial speculation to the detriment of industrial expansion. Instead, there has been further relaxation of exchange controls. All this reluctance complies to the letter with the G20 dictates on the need for countries to have market-determined exchange rates.

In short, policymakers in South Africa are effectively sitting on their hands—half-heartedly intervening in foreign exchange markets solely by buying dollars at a very cautious pace so as not to upset the inflation applet. This reluctance is an expression of the interests of finance capital, the hegemonic class force that continues to dictate policy in the South African state. It also very much expresses the failure to break beyond the principles of macroeconomic management learned from GEAR.

- 5.7. South Africa has also embraced fiscal consolidation. Many analysts in South Africa, particularly those of bourgeois persuasion, have argued that the fiscal stance of government has been counter-cyclical during the recession. They argue that since government expenditure grew from 28.5% of GDP in 2008 to 34.1% in March 2010, then government has been counter-cyclical. That is, government tends to increase spending during downswings and reduces spending during upswings. It has become second nature to talk about the counter-cyclicity of South African fiscal policy. These claims are, however, suspect. The OECD Economic Survey (2010) is also at pains to sustain the view that fiscal policy has been consistently and deliberately counter-cyclical.
- 5.8. We learn in p.29 of the same report that “macroeconomic policies from the onset of the crisis were counter-cyclical”, but it then goes on to say “about 1.4 percentage points of GDP (of the 6 percentage points) corresponded to a structural increase in expenditure”. In short only 23% of the budget deficit is genuinely counter-cyclical and 76% is just automatic stabilizers, which capture the fact that taxes fall in a recession and rise in a boom, a phenomenon that occurs whether fiscal policy is counter-cyclical or not. In the same passage the report admits that even part of the counter-cyclical component has not been a deliberate policy stance, it was “in part by “accident”, as unexpectedly large public sector wage increases were granted in 2009 after a wave of strikes”. Therefore, instead of leading the economic recovery, government has adopted a passive policy of tailing tax collections, relying heavily on the “automatic tendency” of the economy to re-adjust to its long-term potential.
- 5.9. As the economy recovers, the very same old tendencies of the apartheid growth path are emerging. Firstly, the recovery is on the basis of increasing the rate of exploitation of labour. Secondly, lack of a shift in macroeconomic policy towards making decent work, industrial transformation and economic growth the primary focus, makes the old sectors that have been leading growth in the run-up to the crisis to also lead the recovery. Therefore the crisis is not being used as an opportunity to change the structure of the economy, as was promised. Local procurement of key inputs into mega-projects such as power stations remains un-clarified. Basic taxes for industrial transformation such as those relating to the export of scrap metal and raw materials are delayed. Progressive taxation in the midst of ballooning executive pay and luxury consumption in the midst of massive poverty is not being implemented.

- 5.10. Capital controls to ensure that our country retains the profits generated for further domestic investment are being slowly dismantled, whilst South African workers' money in the PIC will now be invested abroad and not in their communities. Short-term capital flows are not being regulated. It is well known that these are an important source of the Rand's volatility, which has long been identified in ASGISA as a constraint on economic growth. Proposals to regulate these inflows, especially their taxation, are met with a refrain that we need hot money to finance domestic economic activity, which includes untaxed luxury consumption and unproductive investment, especially in real estate.
- 5.11. Even the IMF, in its Report to the G20 in 2010 on measures to regulate the financial sector, has proposed taxes that could be levied in order to rebalance economic growth and to reduce the dominance of the unproductive financial sector. Proposals on the so-called financial activities tax (FAT) are recommended by the IMF. Such taxes could be extended to any sector that earns a rate of profit that is above the average of the economy, over and above the progressive taxation that should be levied on personal income. Given the current ideological orientation of the South African policymakers, we do not see these tax proposals being put on the table for their overdue implementation.
- 5.12. Let us turn to the implementation of COSATU resolutions. As is now well known, government has formulated a New Growth Path Framework, to which we have responded. At the ANC NEC Lekgotla (2010), there was agreement that the NGP will be further refined, so that it is owned collectively by the Alliance. This never took place. COSATU has also responded to this Framework document, with a view that though the document represents step forward in government's attempt to grapple with our socio-economic challenges, it nevertheless falls far short of taking us onto a genuinely new growth and development trajectory. We have argued that in terms of macroeconomic policy, there are problematic continuities with GEAR, and argued for a more comprehensive framework that covers all the six pillars of our economic transformation strategy, including: environment, meeting basic needs, changing patterns of ownership and control of the economy. We also said that a more elaborate framework for labour market transformation to deal with the legacy of colonialism and capitalism in the labour market is important.
- 5.13. Here we only consider those aspects that relate to macroeconomic policy in the NGP. The major concern that ran through our critique was the absence or muted mooting, of policy instruments that will be required to shift the economy onto a new growth path. For example, the question of re-introduction of exchange controls, management of capital flows through taxes, the regulation of the financial sector, progressive taxation, targets for local procurement in public expenditure and requirements for local procurement by the private sector, an active and direct role of the state in critical value chains, are not treated in the government document. Generally, we argued that in most instances, the policy tools of the document are absent, giving space for the policy status quo to remain. Ever since

then, issues of local procurement were addressed through a Local Procurement Accord. But there is no “Local Procurement Act” as an overarching state policy, to guide the conduct of public entities and the private sector. The Accord remains a voluntary initiative.

- 5.14. In terms of moving towards 100% public ownership of the Reserve Bank, this issue has been raised by the Secretary General of the ANC who, it seems, ultimately beat a retreat. His intervention put the matter in the public domain and it soon petered out into thin air. The issue is not raised in the New Growth Path of government and neither has it featured in any of the pronouncements by National Treasury. What has happened instead is the tabling of the Reserve Bank Amendment Bill, which is primarily aimed at dealing with so-called “rogue” shareholders, who “can both divert the central bank’s time and resources and raise uncertainty about its role and motivation. Efforts have been made by some SARB shareholders to circumvent the limits on SARB shareholding, and they have launched challenges via the courts and calls for extraordinary meetings of shareholders<sup>17</sup>.
- 5.15. The Reserve Bank Amendment Bill now allows for broader representation in the Board of the Reserve Bank, including representations for labour and civil society. Nevertheless, this broadening of representation, while it is a welcome development, represents a classic bourgeois-democratic effort to resolve internal problems within the bourgeoisie, in relation to the governance of the Bank, under the guise of democratization. The fact that the Bill does not remove the underlying concern of private ownership of the Reserve Bank remains a problem. The continued private ownership of the Reserve Bank is also questioned by the OECD Report (2010).
- 5.16. Rightwing populists who defend the continued of private monopoly over the printing of money in our country have raised spectres of Zimbabwe and other horror stories of inflation. More sophisticated opponents of nationalization of the SARB argue that retaining private shareholders provides “community representation and participation in the oversight of the SARB, thereby enhancing its independence, transparency and accountability”. The OECD report then continues to note that “it is not clear whether this is in fact the result, however, as in most advanced countries, these goals are primarily advanced by the central bank’s legal mandate and the requirements placed on it to consult with government and to report to parliament”. It is therefore important that we address this issue of private ownership of money-printing rights and the assets that are in the SARB.
- 5.17. On the reinstatement of capital controls to prevent the asset stripping of South African industry, this has not happened. In fact the opposite has happened, gradual relaxation of foreign exchange controls, which is seen as a means to manage the excessive over-

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17 OECD Economic Surveys: South Africa, July 2010, p.68.

valuation of the currency. This has been taken to a point where the PIC will be encouraged to invest workers' funds abroad, when we need the money domestically, in an effort to contribute towards capital outflow in order to counter the inflows of capital. In the Budget Speech 2011 this matter is not raised, however the President's 2011 State of the Nation address gives impetus to the relaxation of capital controls that were proposed in the Medium Term Budget Policy Statement of 2010.

- 5.18. Without sounding like a broken record, there is no shift in macroeconomic policy that has taken place, and the working class can no longer resolve year in, year out about this. The question is: what are we going to do next to resolve this impasse, without resolving (again)? The lack of movement on macroeconomic policy should by now be understandable, because the few that control economic activity in this country are having a stranglehold over key policy levers and strategic institutions. For example, foreign-owned monopolies would resist capital controls because these would limit their ability to expatriate profits. The relaxation of these controls is directly in their interests. They will resist policies that prevent exchange rate appreciation because that lowers the dollar value of their repatriated profits.
- 5.19. Even the agreed South Africa's Response to the Global Economic Crisis has not yielded any tangible results. This important document called for maintenance of credit extension to sectors of the economy by banks, management of the exchange rate so that it supports employment, skills development and training of workers in order to prevent the increase in structural unemployment, support to distressed sectors so that firms are kept afloat and prevent capacity scrapping during the crisis (there was low take-up by firms), etc. All these commitments were not met, and most distressed firms laid-off workers rather than access the distressed sectors' fund at the IDC. Even the Presidential assessment on progress regarding the implementation of the Framework Response to the crisis has not produced any tangible results. As we speak R600 million of cash is sitting in the banking system, the economy is struggling to grow, the exchange rate remains volatile, etc. There has effectively, been resistance and reluctance to respond to the crisis with urgency.
- 5.20. Similarly, measures to add value to South African raw minerals will be resisted, because these would starve the industries to which South African mines are linked in the global value-chain. Export taxes, local procurement strategies, concessional financing, the creation of a state-bank, asset-based requirements on the banking system, etc. will be resisted on the grounds that they threaten profit making. However, the resistance will always be projected as if it is in the "national interest", when in fact it advances CLASS interests. But this also reflects the unfinished business of the 52nd Conference of completely washing out the Class of 1996 as much as it reflects on the capacity of the working class to assert its hegemony.

5.21. The area of macroeconomic policy remains the most burning area of class contestation over the direction of the country. This is because macroeconomic policy is about the financing of the policy options (i.e. which class must pay for the proposed policy options), overall regulation and allocation of resources in the entire economy and determines the parameters within which economic activity takes place. In short, macroeconomic policy is at the heart of the distribution of the social surplus and provides framework on how this surplus is to be used, for what end, in which class interest and by whom.

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## **6. Industrial and Trade Policy, Energy and Water Issues**

6.1. Changing the structure of the economy is one of the key pillars in COSATU's social and economic transformation programme. Accordingly, industrial policy occupies a special place in the discourse of the Federation. The 10<sup>th</sup> Congress resolved on the following in relation to industrial and trade policies.

- To campaign for beneficiation and the adoption of industrial policies on the African continent
- To reject the proposed modalities on the table in the WTO negotiations, specifically those on NAMA, which, combined with the current economic crisis, will cause a huge number of job losses and large-scale de-industrialisation in South Africa
- To campaign for the use of export taxes as a critical instrument to support industrialization

6.2. The development of industry is at the heart of the development of the productive base of an economy. Therefore, our call for industrialization should be distinguished from the general call for the so-called "jobs-rich" growth. Ours is a call that seeks not only to transform the structure of the forces of production, it is also a call that seeks to change the ownership and control patterns and to radically change the way the South African economy interacts with the global economy. Our transformation programme is therefore two-pronged:

- a) It seeks to place control and ownership of the forces of production in the hands of the working class as the leading force of the national democratic revolution,
- b) It thereby seeks to safeguard national independence, because no people can claim to be independent from imperialist domination if they do not own, and control the development, of the national productive forces

6.3. It is well known that despite the increase in economic growth over the past 16 years, the structure of production has not changed in the direction envisaged in our transformation programme. This point has been noted by the President of the ANC and in the New Growth Path document of government. Economic growth is still centred on the minerals-energy-complex, and is now dominated by the financial and

retail sectors, with increasing weaknesses between downstream and upstream industries, contrary to the RDP<sup>18</sup>. Petro-chemicals and basic iron and steel are still the dominant drivers of our economic growth in the manufacturing sector. These sectors have experienced job losses even as they were growing, thereby contributing to the low level of labour absorption in our economy. There is nevertheless a continued need to intervene strategically in order to leverage the strengths of the minerals-energy complex in ways that promote long-term economic development.

6.4. The manufacturing sector, which is supposed to be the mainstay of our economic transformation programme, declined from 20% of national income in 1995 to 17% in 2007. Labour-intensive sub-sectors within manufacturing such as clothing and textiles, electrical machinery and equipment have not fared well. The capacity of the economy to develop a vibrant capital and durable goods sector has been severely constrained by competition from imports, availability of critical inputs at affordable prices such as steel and other metals, and basic chemicals.

6.5. The performance of the manufacturing sector has also been negatively affected by the global economic crisis. Despite the apparent stability of the financial sector in South Africa, this crisis has seen a drastic increase in business bankruptcies, households default rates increased and credit markets tightened. This has further put pressure on the manufacturing sector. The manufacturing sector continued to decline from 17% of GDP in 2007 to 15% of GDP in 2010, which provides further evidence of de-industrialization.

6.6. In this context, the Industrial Policy Action Plan 2 and a Developmental Trade Policy Strategy Framework have been formulated. These two policy development pieces provide a basis for the formulation of new growth and development path, anchored on the six pillars of the economic transformation programme put forward by the 52nd Conference of the ANC. The IPAP 2 proposes a set of industrial policy instruments to support the process of industrialization. It calls for:

- Strategic use of government procurement to support local production, empowerment and employment. To that end, COSATU has to press for the immediate adoption of a localization strategy document to guide procurement by the state and its enterprises. This should form part of the recommendations that should emanate from the Presidential Review Commission on State Owned Enterprises.
- Concessional financing to priority sectors. This is being implemented, presaged by the review of the mandates of the development finance institutions such as the IDC, Khula, and the Apex Fund. It is however not clear what is happening to the mandates of institutions such as the PIC and the DBSA.

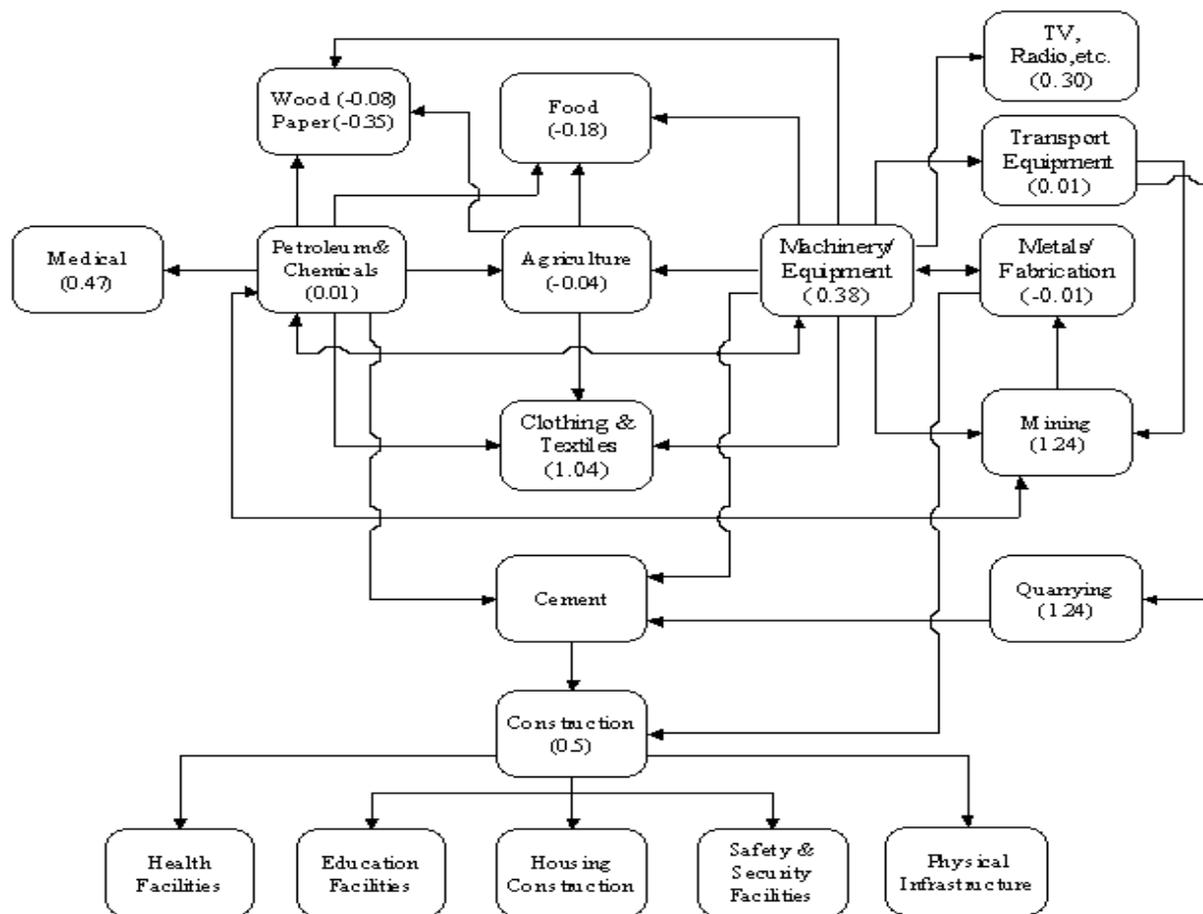
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<sup>18</sup> RDP Point 4.4.2.6 On Industry, Trade and Commerce.

- Competition policy will be strengthened in order to combat anti-competitive pricing of essential items such as food and critical inputs such as steel, fertilizers and other basic chemicals. Support for research and development of new innovations in order to support priority sectors. This will take the form of consolidating and streamlining South Africa's national innovation system: the universities, private research activities carried out by firms, research councils and state-owned enterprises.
- The use of exports taxes and regulation of prices of essential inputs. Export taxes, such as a tax on the export of scrap metal, would make scrap metal available for local recycling, thereby contributing to reducing South Africa's carbon emissions and energy intensity. Regulating the pricing of targeted inputs, especially those produced by monopolies upstream the value chain, is important in order to cheapen inputs for downstream industries and to thereby support their competitiveness.

6.7. The sectors IPAP2 prioritises are metal fabrication, capital equipment and transport equipment; green and energy-saving industries; agro-processing; automotives, components and medium and heavy commercial vehicles; downstream mineral beneficiation; plastics, pharmaceuticals and chemicals; clothing, textiles, footwear and leather; biofuels; forestry, timber, paper and pulp and furniture; cultural industries: crafts, film and music; tourism; business process services; and "sectors with potential for development of long-term advanced capabilities". A year later, in 2011, government adopted the New Growth Path Framework which prioritises infrastructure; the agricultural value chain; the mining value chain; the green economy; IPAP2 manufacturing sectors; tourism and "certain high-level services".

6.8. COSATU supported these identified sectors but suggested that there be clear links between them. In our Growth Path towards Full Employment we clearly elaborate how these linkages should be developed. COSATU perspective emphasises the importance of downstream mineral beneficiation for industrial development; metals and metals fabrication is important for local machinery and equipment production, construction and for the production of final goods; machinery and equipment is important to support agriculture, transport, electronics, food processing and construction. The COSATU Growth Path document proposes the following baseline industrial linkages:



Over-Archiving Strategic Inputs :  
 1. Energy  
 2. Water  
 3. Information, Communication and Technology

6.9. The question the 11<sup>th</sup> National Congress must answer is whether IPAP2 is succeeding in transforming the economy in a manner COSATU envisioned given the decline in all sectors of the economy and manufacturing in particular?

6.10. In reviewing progress made in implementing IPAP2 in 2011, the DTI mentions the reorientation of the IDC to strengthen its ability to finance IPAP2 and NGP sectors. In this regard, IDC has put aside R102bn, to fund, over a period of five years, Job Creation Fund (R10bn), green economy (R25bn), energy efficiency fund (R500m), agricultural and forestry value chains (R7.7bn), and companies in distress (R6.1bn). Indeed the 10th Congress called on the IDC to begin focusing on labour intensive sectors. Between 2012 and 2013 IPAP2 will give special focus on the manufacture of components for the 17.8GW renewable energy generation programme; the production of solar water heaters and components; regulatory and support mechanisms to create a large-scale biofuels industry; metal fabrication and capital and transport equipment.

6.11. The review of IPAP2 in 2011 identifies the following factors that impacted negatively on the successful implementation of the programme:

- Weakened domestic demand
- Weak growth in US and EU
- Above inflation increases for administered prices, in particular electricity price
- High cost and inefficiencies in the rail and ports freight and logistics systems
- Market failures with bulk of private credit extension going to household debt rather than fixed investment; concentration of fixed investment in consumption-driven and capital-intensive sectors; high relative cost of capital in relation to key competitor countries; and insufficiently long-term tenure of loans
- Slow-down and backlogs in infrastructure at all levels of government
- Short-term and un-strategic procurement practices in public capital expenditure
- Slow progress in addressing skills shortage

6.12. The other key industrial policy intervention in the period under review is the resolved by government to introduce Special Economic Zones (SEZs) inland. So far SEZs, in the form of Industrial Development Zones, had been located along the coast, except for the OR Tambo IDZ, which has not become operational. The intention with the introduction of inland SEZs is to facilitate industrialisation in the various provinces. Given the bad reputation SEZs have, particularly the Export Processing Zones, in relation to labour rights, the SEZs Bills suggests that all the country's laws would be applicable in the SEZs. It is not clear what incentives would be given to investors in these zones. We understand these would be outlined in the regulations once the SEZs had been passed.

6.13. COSATU has a long-standing resolution on local procurement. In our NGP document we propose that 75% of state procurement be from local industries, and that industries be mandated to procure a targeted value of their inputs from other local producers, with the aim of ultimately procuring 75% of their inputs locally.

6.14. In the period under review, several interventions have been effected to leverage procurement for industrial development. Firstly, the Preferential Procurement Policy Framework Act (PPPFA) Regulations were amended and came into force on 7th December 2011. The PPPFA Regulations were amended to be in line with the BBBEE and to make provision for designation of sectors for local procurement. Based on PPPFA Regulations, government announced a first wave of designation of sectors and subsectors to be earmarked for sourced local procurement: rolling stock, buses, digital set-top boxes, power pylons, canned vegetables, clothing, textiles, footwear and leather products and aerospace components.

6.15. We have indicated that the list is inadequate and called for the expansion of the sectors like the chemicals sector. We must however raise a concern that not all affiliates are engaging and helping to identify more of the sectors and products for designation. The Proudly South Africa with the assistance of SABS should be capacitated and mandated to oversee the implementation of local content for all IPAP industries and in all infrastructure projects. Otherwise local content and industrial development will be difficult if not impossible to achieve.

6.16. Our concern with the amended PPPFA regulations is that while they outline how points will be determined for B-BBEE compliance in terms of the scorecard, there is no corresponding provision to determine the points for local production. This would affect all products that not designated in terms of the regulations, as the majority of locally produced goods/services are designated.

6.17. Secondly, the BBEE Act is being amended to deal with abusive practices associated with black economic empowerment. The COSATU has been critical of outsourcing and privatisation, with consequent job losses, to promote narrow BEE. Another bad tendency associated with black economic empowerment is fronting. The BBEE Act is now being amended to deal with abuse of black economic empowerment. BEE verification industry will be tightly regulated and fronting will be criminalised or a 10% penalty on the offender's annual turnover.

6.18. Thirdly, COSATU as part of organised labour, business and government signed a Local Procurement Accord in 2011. The signatories to the Accord want to achieve 75% localisation in procurement of goods and services in both public and private sectors. In the Accord, organised labour committed to doing the following:

- “Promote local procurement by analysing and reviewing the supply chain activities with the aim to source locally produced goods and services on major purchase items and activities
- All furniture, vehicles and office stationery as well as all promotional clothing (t-shirts, tracksuits, hats, jackets and other similar items) will be bought from local manufactures.
- Set up a procurement desk to identify local suppliers.
- Union auditors will be asked to verify that all these named goods have been produced locally and these reports will be made public by the federations and unions.
- Source clothing, regalia and apparel from union friendly manufacturing enterprises in the clothing and textile sector
- Continue to campaign for a target of 75% local content and procurement for all goods, services and works by private and public entities. This campaign will be mainstreamed into the Living Wage Campaign, Decent Work Country Programme and other platforms organised by the labour movement”.

6.19. We must admit that we have not developed a mechanism to ensure that we, firstly, monitor the implementation of our own

commitments and secondly monitor government and business. We should also note that in 2007 Cabinet approved a list of ten products for targeted procurement from small enterprises: clothing and textiles (cut-make-trim); advertising, media and communication; interior and exterior cleaning services and cleaning products supplies; computing network services (cabling services) and software supplies; interior and exterior furniture supplies and décor; events coordination and management; maintenance and repairs; buildings and office space; vehicles body works (panel beating); travel coordination and shuttle services; food perishables supplies and stationery supplies and printing. Again it is not clear if government is indeed supporting these small enterprises, including cooperatives, through targeted procurement. The small and medium enterprises have a huge potential to create jobs if they get the necessary support.

6.20. The Proudly South Africa with the assistance of SABS, and other government agencies should be capacitated and mandated to oversee the implementation of local content for all IPAP industries and all infrastructure projects. Otherwise local content and industrial development will be difficult if not impossible to achieve. The basis of local content is local economic development. According to PSA, local content helps to keep money in the local economy, fosters local job creation, ensures benefits accrue to local owners'/businesses, and little or zero migration of capital and encourages Innovations and Competitiveness.

6.21. Local Content should mean that 75% of the cost of production must be incurred in South Africa and there must be "substantial transformation" of any imported materials. Therefore the focus should be on local content than local procurement. PSA should not be a voluntary organisation but it is be a fully fledged government agency. Furthermore, it should be mandatory for all businesses to comply with PSA requirements. There is a need for statutory backing and penalties for non-compliance. Government should only work with companies that comply with PSA requirements. All licenses and government contracts or tenders should also be subject to PSA requirements. However, this can only be realised if the PSA Campaign is transformed into independent institution to oversee implementation of local content. Its current staff and resources should be increased.

6.22. With regard to the campaign for beneficiation and the adoption of industrial policies on the African continent, more still needs to be done, especially on the continental front. With respect to the South African situation, the call for beneficiation has found expression in the resolutions of the National General Council of the ANC and has been further re-iterated by the State President in the State of the Nation address (2011). However, efforts at beneficiation are likely to be frustrated by lack of appropriate regulations such as export taxes on all minerals and critical inputs and the fact that these minerals are in the hands of a capitalist class that benefits from the historical and colonial economic relations that South Africa has with the global economy.

- 6.23. In fact, the Department of Mineral Resources has released a Beneficiation Strategy document in June 2011. This strategy has not been properly engaged by the Federation. However, NUMSA in its Beneficiation Strategy document has provided a critique of the document, which should form the basis of engaging with the government strategy. In their document, NUMSA argues that “the document does not address the most critical question of how to access our own raw minerals. There is no elaboration of developmental pricing as a tool to stimulate beneficiation locally, not even mention of export taxes on raw minerals in line with the degree of value-addition along the various value-chains. Export taxes are mentioned as if they are a last resort. Furthermore the strategy proposes to put conditionalities on infrastructure support, which implies that if companies do not comply the infrastructure support could be curtailed. What then, would be the effect of such actions on the overall industrialisation strategy if not to maintain the status quo?”
- 6.24. The NUMSA critique further states: “The strategy is also to a large extent de-contextualised from the global developments in the minerals value-chains. The continuing spate of vertical integrations that has been so widely observed by many institutions, not least of which is the EU Commission, is completely absent in the strategy. These vertical integrations are aimed precisely to deprive downstream firms that are in countries such as South Africa, from accessing raw materials. The strategy is very weak on measures to respond to this situation. Instead it talks about some vague notion of “leveraging the state’s custodianship of the country’s minerals to facilitate downstream industries””.
- 6.25. In addition, NUMSA states that: “The document also operates within the neo-liberal framework of the state providing an “enabling environment” for beneficiation. The strategy does not even consider the state being directly involved in some of the productive processes in order to control the allocation of resources in the economy. In this connection, the document does not even mention the idea of a State Owned Mining Company, as a necessary institutional development to support the beneficiation strategy. The implication of all of this, is that government strategy document is not interventionist, it soft-pedals on critical issues and therefore compromises the whole drive for broad-based industrialisation in South Africa and by extension, the Southern African region.
- 6.26. What impact do the existing power relations have in the value chains it identifies and in relation to the beneficiation strategy itself? The document does not even answer this question. Researchers in the Department of Mineral Resources do decry the fact that mining companies are enmeshed in global economic relations that prevent them from making their products accessible to local downstream industries. This is the heart of the beneficiation strategy. The government document is extremely silent, effectively and deliberately hides the connection between rampant foreign monopoly ownership of South African minerals and the failure of the country to industrialise. It

does not even mention the threat that is posed by the World Trade Organisation rules, and the tendency of global monopolies to take governments to international courts over their own raw minerals, and how this will have to be fought.

6.27. In short, government's beneficiation strategy is not taking us forward. It seeks to build skills, infrastructure support, and support research and development without any guarantee that these efforts will produce a thriving industrial sector. This weakness stems from the failure of the document to guarantee access to raw materials by local downstream producers, and hopes to transform the South African industrial landscape within the context of existing power relations—a strategy that continues to fail the majority of South Africans”.

6.28. In terms of competition policy, COSATU has called for tougher action against companies involved anti-competitive practices that have negative impact on the workers and the poor. Congress after congress has called on government to deal with import parity pricing that artificially raises the costs of strategic inputs like steel. We meet again at the 11th Congress with the practice still in place. We have however seen encouraging interventions by government in using competition policy to promote industrialisation.

6.29. We have seen the Ministers of Economic Development, Trade and Industry and Agriculture, Fisheries and Forestry Departs demanding stricter conditions for the Wal-Mart and Massmart merger, based on public interest grounds. While government ultimately lost the case at the Competition Appeal Court, we hope the intervention has set a good precedent that would ensure that the competition authorities take the public interest provision in the competition law seriously. Our view remains that the merger will not advance the objectives of the New Growth Path and IPAP2, as it is likely to have negative impact on manufacturing sectors of the South African economy.

6.30. The Competition Appeal Court conditionally approved the merger between Wal-Mart and Massmart. One of the four conditions set by the Court was that the merged entity must commission a study, to be conducted by three experts of which one was to be appointed by SACCAWU, to “determine the most appropriate means together with mechanisms by which local South African suppliers may be empowered to respond to the challenges posed by the merger...”

6.31. The Competition Commission has undertaken investigations in almost every sector of the economy: Sasol, grain trading and storage companies, fertilizer, maize and wheat milling, bread, milk-subsectors, steel, polymers, construction bid-rigging, forestry, cement, fuel, and poultry. In 2010 the Competition Tribunal reached a settlement with Pioneer Foods in which the latter committed to, among others, the following:

- Pay R250m as an administrative penalty to National Revenue Fund;
- Pay R250m to create an Agro-processing Competitiveness Fund to be administered by the IDC;

- Adjusting its price of flour and bread over a defined period; and
- Increase its capital expenditure by R150m over and above its approved capital expenditure.

6.32. Whilst the Commission has worked hard to ensure that competition policy reflects the development challenges facing SA, the legislative framework make it difficult if not impossible to prioritise jobs and industrial development. The current legislative framework is based on neo-liberal policies despite the presence of public interests factors. The Wal-mart case is good example where competition issues prevailed over public interest issues. Public interest factors are subject to efficiency or competition issues. For instance, the competition legislation promotes mergers. Whilst is clear that mergers may be justified in the cases of where a firm is failing and insolvent most mergers are implemented to satisfy the egos of managers and to reduce costs of business by retrenching workers. Mergers should be an exception rather than a rule.

6.33. Furthermore mergers between SA companies and foreign companies should not be allowed unless there is concrete evidence that the foreign companies will bring with it technology and skills. The focus should be on creation of national champions. Furthermore competition policy should be subjected to industrial policy and where is a conflict, industrial policy should prevail over competition policy. In the Wal-Mart case the competition policy prevailed over industrial policy. The current competition policy is suitable for industrialised economies and not a country such as SA with at least 7 million without jobs. The congress should make a call for an overhaul of the competition policy to reflect the objective of state intervention in the economy and addressing the legacy of colonialism and apartheid. In particular the participation of the Ministry should be compulsory in all cases above a certain threshold or on request by interested party. A developmental competition policy will require the Minister or government to review decision of the authorities.

6.34. In terms of trade policy, we participated in a study as part of Nedlac on the impact of NAMA negotiations on industrial sector. The study found that the current NAMA negotiations will remove policy space to industrialise and will jeopardise sensitive sectors. This may result in job losses.

6.35. The Trade Policy Strategy Framework (TPSF) of 2009 concluded that tariffs would be used as instruments of industrial policy as enunciated in the 2007 Industrial Policy Framework. Therefore, a WTO process, which intends to achieve tariff-free trade, contradicts these positions. The DTI has been steadfast in arguing that South Africa should be granted more policy to exempt its sensitive sector from tariff cuts. Other NAMA 11 countries are also supporting South Africa in its call for more flexibility to exempt its sensitive from tariff cuts.

6.36. In November 2012 the Doha Round of the WTO will be turning 11 years. The Doha talks were supposed to benefit the developing

countries; hence it was dubbed a developmental round. However, industrialised countries have tried every trick in the book to turn the round in their favour. Hence the round has not resulted in any developmental outcomes for developing countries. Differences between developing and developed countries continue to increase. The developed countries insist, in a manner that aims at dividing developing countries, that emerging economies like China, India and Brazil must do more and reduce tariffs. Realising that they are not getting what they want out the round, developed countries want to introduce another approach in WTO negotiations, plurilateralism. This would entail an agreement between certain members of the WTO on certain issues without consent of other members. This is a departure from multilateralism, which requires the participation of all members. Developing countries see multilateralism as a better devil as it enhances the voice of developing countries and it is transparent and inclusive. The developing countries insist on the single undertaking rule, which entails negotiation and agreement on all 21 issues as a package.

6.37. Furthermore, developed want topical international issues like climate change, energy, food security, trade and exchange rates, competition and investment should be added on the agenda of the Doha round of negotiations. On the other developing countries are concerned that this may result in the relegation of unresolved issues in the Doha negotiations. They insist that new issues should only be engaged once the Doha round has been completed.

6.38. Our government as represented by the DTI must be commended for insisting on a better deal for developing countries and South Africa in particular. In 2010 government adopted Trade Policy and Strategy Framework (TPSF). The TPSF aims to refocus trade policy to support industrial policy. In terms of IPAP2 progress report, the International Trade Administration Commission (ITAC) has processed many applications “for increases, rebates and reductions of duties across a range of sectors and it has begun a process of ensuring that tariff support is conditional on reciprocal commitments to gauge the performance of intended beneficiaries in line with IPAP priorities”.

6.39. The TPSF makes provision for export taxes which can be used a trade policy measure to ensure value additions to commodities and to diversify production and exports. Export taxes should be extended to other raw materials such as scrap metal. Scrap metal is an important ingredient in the manufacturing processing. The availability of scrap metal at low prices is fundamental in ensuring that local companies buy scrap metal at a cheaper prices. Where the right to impose export taxes has been taken away through bilateral agreement such as the European Union-South Africa Trade Development Cooperation agreement of 1999 (TDCA) these agreements should be renegotiated.

6.40. All affiliates and manufacturing affiliates in particular, must support efforts by government to fight customs fraud, illegal imports

and the importation of substandard goods if the industrialisation project is to be realised. The sticky areas remain in trade in services and bilateral trade agreements. Currently, NEDLAC is discussing an Indian request for South Africa to open its market for India's products ranging from chemicals to agricultural products. The sectors India wants opened are the sectors prioritised by IPAP2, particularly chemicals and agro-processing, and our view is that agreeing to an Indian list will not advance the objectives of IPAP2.

- 6.41. The services commitments South Africa has made came under spotlight during the Wal-Mart Massmart merger case. Aisha Bahadur, who is General Agreement on Trade in Services (GATS) expert from Civil Society Research and Support Collective (CSRSC), warned us that the condition of the Appeals Court ruling for a study on how local producers can benefit from the merged entity may not be against the GATS commitments the country has made. She argued that according to the trade rules, we couldn't put conditions on Wal-Mart that don't also apply to local retailers. She further indicated that under Art. XVII of the GATS, "South Africa has agreed to accord to the services and services suppliers of other Member States, treatment no less favourable than it accords to its own services and services suppliers...and that as a signatory of the General Agreement on Tariffs and Trade (GATT), South Africa is not allowed to demand that a company would buy certain products from domestic sources as a condition for approval of an investment. Under national treatment rules we are not allowed to discriminate between local and imported goods".
- 6.42. This calls for a more concerted campaign for the review and a moratorium on new services negotiations of services offers the country has made as per the 9th Congress resolution. The DTI has made tremendous effort in changing the policy position on Trade Policy. A Trade Policy and Strategy Framework was concluded in 2010. The strategy deviates from the 1996 GEAR trade policy because it seeks to ensure that trade policy supports governed objectives to create decent jobs. As a result of this it is expected that government should not enter into new trade agreements unless there is concrete evidence that new decent jobs will be created and existing jobs will not be affected. We expect the DTI not to sign the further liberalisation agreements either under the Doha or bilaterally. Congress should call for a stop in further liberalisation. SA has already liberalised its economy with disastrous consequences on working class and the poor.
- 6.43. South Africa should use its diplomacy capabilities to ensure that the region rejects regional trade agreements such as the European Union EPA colonial trade agreements. These agreements are an attempt to re-colonise Africa. A threat of loss of export market shares and possible job losses should not deter SA/region from taking a principled decision to reject re-colonisation at all costs. We are not advocating autarky but there are other methods of cooperation and mutually beneficial trade relations between countries other than through binding anti-developmental trade agreements. The EU and other imperialists need SA SADC countries. It is high time that SADC

should take a decision that should one of the exports be blocked by EU these should be redirected to other SADC countries. We must move beyond the colonial mentality that without EU and US and China our industries will not grow or survive.

- 6.44. However, despite the conclusion of the Trade Policy and Strategy Framework and IPAP2, SA still pursues the apartheid colonial trade policy of exporting minerals and importing manufactured goods. Therefore, in practice the noble ideas contained in the TPSF and IPAP2 have not been supported by political will. Instead of establishing factories we have seen the rise of retail malls which sell various imported goods everywhere in the country including in rural areas. There are at least 29 malls in the JHB metropolitan area. This has entrenched the consumption led growth model contrary to what the New Growth Path aspires for. The government's support of job creating developmental trade and industrial policies have limited to policy pronouncement in media and in parliament.
- 6.45. In the absence on black entrepreneurs government should establish worker led factories to substitute or to compete with imports. Therefore congress must call for political will on further the objective of a developmental strategic trade policy, IPAPA 2 and creation of decent jobs. However, this will happen if government invests in IPAP sectors. Congress should consider demanding that government establish factories in every sector indentified in IPAP2. This would assist in creating jobs and building much needed skills. We cannot rely on foreign capitalists with no loyalty to SA or sympathy to SA's legacy of apartheid and colonialism to development the SA economy. Without state investment and intervention in the IPAP sectors the need for decent jobs would remain a pipedream. Should the government not heed the message workers should physically stop the containers of imports at Durban.
- 6.46. Congress should call for the review of Intellectual property in drugs. Pharmaceutical companies are raking in billions of rand at the expense of the poor. The poor are dying because they cannot access drugs at cheaper rates even generics are beyond the reach of many poor South African. The high prices inevitably lead to a proliferation of unsafe illegal drugs. Government should actively be involved in the manufacturing of drugs. If we have spent billion on arms, GAUTRAIN and building of stadiums there is no reason why government cannot manufacture drugs to save lives of the poor. The drugs should also include those that are under patent protection. The joint venture named Ketlaphela will establish the first pharmaceutical plant to manufacture active pharmaceutical ingredients (APIs) for anti-retroviral medicines in South Africa is not enough but it is a step in the right direction. This joint venture should be subject to local content requirements.
- 6.47. The government has a right both under the WTO and the Patent Act to issue compulsory license for essential drugs in order to protect a nation's health. Canada is one of the countries where they have been able to reduce prices of drugs through using among others compulsory

licensing. Congress should make a call for the limitation or removal of patent or monopoly rights on drugs essential for survival of human beings. No company should be allowed to profit from diseases and plight of the poor. Manufacturing of drugs in SA will go long way in accelerating the implementation of the NHI. The government should make it more difficult for pharmaceutical companies obtain patents on drugs. Patents make prices of drugs unaffordable including prices of generics. In addition to this there should be regulation prices of drugs in order to increase access and affordability to all people.

6.48. In terms of the use of export taxes, these are mentioned as a possible instrument in the New Growth Path of Government. The TPSF also makes provision for the utilisation of export taxes. Currently there is only an export tax is used on rough diamonds. The TDCA prohibits SA from using export taxes. South Africa is using the EPA negotiations to get back these rights. In terms of the EPA, countries can only use export taxes under limited cases and in consultation with the EU. This constitutes a loss of sovereignty. In pursuance of the TPSF outcomes, a discussion document on export taxes has been circulated for comment. It is hoped that labour's engagement with this document will convince government to reclaim its right to impose export taxes, as this is not prohibited by the WTO. But why should COSATU be convincing the democratic government about the need to protect national sovereignty in the first place?

6.49. Water is essential for life and has social and economic value. As a social good, households for a healthy living standard use water. As an economic good, it is used in the production of goods and services; or it is used by households "beyond the basic minimum required to sustain a healthy level of living". It is essential for irrigation in agriculture for the production of food and cash crops. It is used in mines and for generating energy, for instance hydro electricity. While it is essential for life, it is unfortunately not renewable. While the country is water scarce, there is serious challenge of water pollution particularly by industry. There is also poor management and failure to maintain the water infrastructure. Climate change is also impacting negatively on the already precarious water situation in the country. The country has an average of 500mm of annual rainfall and 21% of the country is said to be receiving less than 200mm per annum.

6.50. For the country to have reliable supply of water to meet both social and economic needs there is a need to invest in abstraction, treatment, storage and distribution infrastructure. In keeping with the COSATU call that the polluter must pay, the former owners of the abandoned mines must be tracked and be made to pay. They must also contribute in measures to prevent the pollution of water resources by the AMD. The Department of Mineral Resources must ensure that all new mining licence holders do commit to dealing with problem of AMD. The ageing municipality infrastructure is regarded as one of the key causes of water losses. The problem does not only involve the extension of water services but affordability as well. Just like in the

case of electricity, the water boards use the cost-reflectivity principle in relation to pricing policy.

- 6.51. COSATU has filed a NEDLAC Section 77 Notice, together with FEDUSA, NEDLAC to force a serious discussion on the looming crisis in the water sector and the engagements in this regards are ongoing. In terms of electricity, South Africa is facing two interrelated crises in the electricity sector. The first crisis relates to the imbalance between the demand and supply of electricity. The Minister of Public Enterprises and Eskom CEO made presentations to the 2012 February CEC on the state of demand and supply of electricity in the country. Eskom is building new power stations to ensure the security of supply. Until the power stations become operational, the power system will remain strained, particularly in the next two years.
- 6.52. Eskom does the maintenance work during the summer season when the demand for electricity is lower. However warmer than expected summers result in increased usage of air-conditioning and thus also strain the power system. For the power system to be stable to allow maintenance of power stations the current energy demand should be reduced by 10% or 3000MW. Some of the demand side measures Eskom has embarked upon include voluntary energy conservation scheme; 49M energy efficiency campaigns and the power alert campaign on SABC and e-TV. According to Eskom, there is little progress in implementing a mandatory Energy Conservation Scheme. The supply side measures include buying power from the IPPs by Eskom.
- 6.53. The Federation has to get involved in efforts meant to mitigate the crisis; otherwise we would have to contend with rolling power outages soon. Our contribution can be more meaningful in relation to the demand side management. The federation must form partnerships around energy efficiency campaign. Our campaign must include a demand for the implementation of a mandatory Energy Conservation Scheme for the intensive energy users. This crisis also presents the federation with an opportunity to implement the commitments it has made as part of organised labour in the Green Economy Accord. We have committed to establish cooperatives for the installation of solar water heaters and use Job Creation Trust to support the broader goals of the green economy. We have also committed to establish joint workplace committees to discuss and implement energy efficiency plans.
- 6.54. The supply side measures meant to mitigate the crisis force the federation to open a discussion on the role of IPPs. If Eskom buys more power from IPPs, this would go a long way in keeping the lights on and avoid negative consequences to the economy and jobs. But the introduction of IPPs amounts to privatisation of the electricity sector which would result in even higher electricity prices. It also means taking away certain functions from Eskom in order to “level the playing field” for all electricity generators. To level the playing field and to deal with the problem of “Eskom being a referee and the player at the same

time” (i.e. the generator and the sole buyer of power from IPPs) government is introducing an Independent System and Market Operator (ISMO) which will buy power from Eskom and IPPs. Government has indicated that the next step will involve migration of transmission assets from Eskom to another independent entity; perhaps an agency of ISMO.

6.55. The second looming crisis relates to high electricity tariffs for the period 2013-2016; the so-called Multi-Year Price Determination 3 (MYPD 3). The MYPD 2 ends on 31st March 2013 and Eskom has to submit its application to NERSA for tariff increases over the MYPD 3 later this year. It is expected that Eskom will once again apply for massive tariff increases to cover the costs of the new build programme in terms of the Integrated Resource Plan for electricity (IRP), which was adopted by cabinet in 2010. The IRP aims at providing guidance in relation to investment in the electricity sector over a period of 20 years, i.e. between 2010 and 2030. The total new generation capacity less decommissioning in the IRP amounts to about 41340 MW which will be sourced from coal, nuclear, imported hydro, Closed Cycle Gas Turbine (CCGT), Peak Open Cycle Gas Turbine (POCGT), wind, Concentrated Solar Panel (CSP) and Solar Photo Voltaic (Solar PV).

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## **7. Labour Market Performance and Policy Developments.**

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### **7.1. Labour Market Performance**

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7.1.1. The RDP proceeds from the following premise: “Central to building the economy is the question of worker rights. Past policies of labour exploitation and repression must be redressed and the imbalances of power between employers and workers corrected. The basic rights to organise and to strike must be entrenched. And negotiations and participative structures at national, industry and workplace level must be created to ensure that labour plays an effective role in the reconstruction and development of our country”. Key elements of worker rights are succinctly enshrined in the Freedom Charter: “All who work shall be free to form trade unions, to elect their officers and to make wage agreements with their employers; there shall be a forty-hour working week, a national minimum wage, paid annual leave, and sick leave for all workers, and maternity leave on full pay for all working mothers; miners, domestic workers, farm workers and civil servants shall have the same rights as all others who work; child labour, compound labour, the tot system and contract labour shall be abolished”. How far have we moved in realising all these demands?

7.1.2. Parallel, and in a similar modern vein to the Freedom Charter, the idea of decent work has been formulated by the ILO to capture all these labour market aspects of the Freedom Charter. In explaining the concept of decent work, the ILO states that “decent work sums up the aspirations of people in their working lives. It involves opportunities for work that is

productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men. Decent work is central to the efforts to reduce poverty and is a means for achieving equitable, inclusive and sustainable development". In this part of the report, we consider developments in the labour market, and also report on some impending policy changes.

- 7.1.3. In terms of fair incomes in the workplace, we note that in 2010, half of South African workers earned less than R2 800 a month. On average, 75% of South African workers earned R1 939 in 2010 and 90% of South African workers earned an average R3 327 a month. African workers earn 23% what white workers earn, and women earn 77% what men earn. The PriceWaterhouseCoopers Report (2010) on Executive Pay over-estimates the wages paid in the South African economy when it says: "The lowest paid workers have monthly salaries of around R3 500". The Monthly Earnings of South Africans Report (2010) of Statistics South Africa reveals that actually, the bottom 5% of South African workers are paid less than R570 a month, which implies that the PriceWaterhouseCoopers Report overstates the wage 6.14 times. Despite this overstatement, we observed that the Executive Pay report found the pay gap to be in the order of 250-300 times the lowest paid worker. If we then correct the wage of the lowest paid worker, we find that the median executive pay gap ranges from 1 535—1 842 times the wage earned by the lowest paid worker.
- 7.1.4. The PWC Report then refers to Minister of Finance, Pravin Gordhan, when he raised this issue of excessive executive pay sharply in 11 May 2011 in his budget speech: "Extreme earning disparities cause offence not just when associated with profiteering or financial malfeasance, but also when the reward for honest work seems disproportionate or weakly aligned with incentives. There is a national discourse needed here, aimed at moderating high-earning remuneration levels within our large corporations, including state-owned enterprises – for the social dimensions of earnings trends can surely not be ignored in the economic calculus of risk and rewards. We are creating a dangerous culture in South Africa". The PWC report responds to this by stating that "Seeing the remuneration figures expressed in this way does highlight clearly the unfairness of the executive pay gap. However, the remuneration levels paid to executives do need to be put into context and the rationale considered". It seems to justify the gap on the grounds of the need to attract "top talent", that the pay is determined by international markets (which is partly true), and that we should rather "focus on job creation and poverty alleviation".
- 7.1.5. In its analysis of wage inequality from 30 countries, the ILO in its Global Wage Report (2009/10) states: "Although the largest part of this increase in inequality was due to top earners "flying away" from the majority, another part was due to the so-called "collapsing bottom", where the distance between median workers and low-paid workers has increased in 12 out of 28 countries". The ILO further reports that 33% of South African workers are in "low wage employment", defined as those workers who earn

less than two-thirds of the median wage (R1 867) or in the case of the EU definition 75% of the average wage. But 75% of the average wage is almost equal to the average minimum wage, which was R3 336 in 2010. This measure would place more than 55% of South African workers in low wage employment.

7.1.6. Building on our 9<sup>th</sup> Congress resolution, we proposed in 2010 that the pay-ratio of the top 10% highly paid managers in companies to the bottom 10% lowest paid must converge to 16:1 over time<sup>19</sup>. Targets for reducing the wage gap need to be contained in plans submitted in terms of a strengthened Employment Equity Act. We also called for active steps to be undertaken to close the apartheid wage gap. Specifically, we proposed that the tax system should be actively used to deal with inequalities in the labour market. The trends in terms of pay, the inequalities in the labour market and the fact that there are no policy interventions to deal with these problems are clearly not in line with our expectations as the Federation.

7.1.7. In a bid to urge Treasury to reform the tax system so that it is more progressive, Jacko Maree (Chief Executive of Standard Bank) wrote the following: “I am highly paid, especially when seen through the eyes of South Africans who have been deprived of opportunities, are poor, or are unable to find employment. I willingly pay my fair share of various taxes. Beyond that obligation, however, I choose to do more as a business leader and privileged South African, especially in these difficult times. Therefore, I commit to continue giving 10% of my taxable income towards education, but going forward, directed specifically towards helping needy black scholars receive an excellent education. I will be doing this every year, at least for as long as the current personal tax structure remains broadly unaltered”<sup>20</sup>. Maree went on to echo COSATU’s proposal on progressive taxation: “If society at large nevertheless demands that executive remuneration should somehow be further moderated, the easily implementable action would be to increase the tax rate on that portion of pay which is deemed to be unfairly high”. But then Maree beats a U-turn and opposes progressive taxation in his article on the grounds that it will “have unintended and far-reaching negative consequences”. However the fact remains that progressive taxation is “the easily implementable action”, which Treasury should implement.

7.1.8. The leaders of Business Leadership SA Bobby Godsell, was quoted by Business Day as saying that he endorses an independent commission to investigate executive pay in South Africa, similar to the UK. Like Jacko Maree, he agrees that “: “We should rely on good corporate governance, strong, independent and well-informed remuneration committees, increased disclosure in annual reports, interactions with major shareholders, and votes at annual general meetings to define pay policies”. There is, therefore, a significant level of acknowledgement that something is amiss with the scale of executive pay in South Africa, and that policy-makers must intervene to

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19 See Resolution 3.10.5 (4), COSATU 9<sup>th</sup> Congress.

20 Competitive Salaries are Key to Fighting Poverty, Business Day 2011/09/05.

resolve the situation. However, little has been forthcoming from government especially by way of tax reforms, i.e. government is sitting on its hands.

**7.1.9.** Having noted what the leaders of bourgeoisie are saying about the obscenity of the executive pay gap in South Africa, COSATU must nevertheless be not confused about what is going on here. Paulo Freire in *The Pedagogy of the Oppressed*, observed that: “In order to have the continued opportunity to express their ‘generosity’, the oppressors must perpetuate injustice as well. An unjust social order is the fount of this ‘generosity’, which is nourished by death, despair, and poverty... True generosity consists precisely in fighting to destroy the causes, which nourish false charity. False charity constrains the fearful and subdued, the ‘rejects of life’, to extend their trembling hands. True generosity lies in striving so that these hands – whether of individuals or entire peoples – need to be extended less and less in supplication”. Thus, whilst Maree, Godsell and the World Bank moralise and decry the extent of inequality and therefore in this instance, seek to endear themselves to the mass of the working class, they are at the same time the major stumbling blocks to fundamental transformation of our country, they remain our class enemies!

**7.1.10.** The Freedom Charter says that there shall be a national minimum wage. Yet, one of the areas that bourgeois apologists always raise regarding the discussion on labour market performance is the issue of minimum wages. They claim that minimum wage laws lead to unemployment, since many firms may not be able to pay them. However, a recent study has shown that 44% of employees were violated and received sub-minimum wages in 2007. The depth of the shortfall is also quite significant. The study reports that workers were paid on average, 35% less than the legislated minimum wage in South Africa. The study further reports that non-compliance with the minimum wage is highest within the “security sector, with worryingly high estimates reaching nearly 70% in some areas in 2007, followed by the farm and forestry sectors (55% and 53% respectively)”<sup>21</sup>. The average minimum wage in South Africa was R3 336 in 2010. The minimum wage violations therefore imply that approximately R16 billion is per month is being extorted low-paid workers. In addition, these minimum wages are reported by the Labour Research Service Report on Bargaining Indicators (2011) that they are 19% below the living wage level of R4 105. Therefore the call for a national minimum wage in the Freedom Charter is yet to have effective meaning for 44% of the workforce.

**7.1.11.** The Freedom Charter states that: “The state shall recognise the right and duty of all to work, and to draw full unemployment benefits”. However the Unemployment Insurance Fund does not cover 43% of workers and 49% of women in the workforce are not covered by the UIF. In terms of social protection, we have seen that, according the General Household Surveys, 77% of the unemployed rely on employed workers for survival. In addition, given the fact that minimum wages are widely

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21 Borat H. et.al. (2011): Minimum Wage Violations in South Africa. DPRU Research Paper. University of Cape Town.

violated in South Africa, this legislative intervention is also not effective in providing strong income protection for the lowest paid workers. The other social protection that is in existence are social grants, particularly Child Support Grants which, despite being grossly inadequate, are meant to cover the well-being of children. In short, social protection of families in South Africa is extremely weak if non-existent. This point is also made, correctly, by Bobby Godsell when he is quoted by Business Day (2012/05/21) as saying: “Perhaps SA also needs a low-pay commission in the sense that we need as a society to think about what a household needs to sustain a minimum, decent existence. I don’t know what that number is but ... the point is to have a debate about that number with the understanding it is aspirational”.

7.1.12. The Freedom Charter further calls for a forty-hour week. It states that all those who work shall have paid annual leave, and there shall be sick leave for all workers and maternity leave on full pay for all working mothers. As of 2012, 85% of the workforce was working for more than 40 hours a week. In particular, 30% of workers (3.4 million workers) work for more than 45 hours a week. Only 32% of all those who work had medical aid benefits, 71% of those employed were not unionised, 43% of workers (5.8 million workers) had no access to paid maternity/paternity leave, 31% (4.2 million workers) had no access to paid sick leave and 35% (4.7 million workers) were engaged in contract and other short-term type of employment, 50% of workers (5.7 million workers) have no access to a pension or retirement fund and 33% of workers (4.4 million workers) do not have access to paid annual leave. Significant gaps therefore still exist, almost twenty years into democracy, towards fully realising these aspects of the Freedom Charter.

7.1.13. The over-work of South African workers in the context of high unemployment is well explained by Marx in Capital Volume I: “The overwork of the employed part of the working class swells the ranks of the [unemployed] reserve, whilst conversely the greater pressure that the latter by its competition exerts on the former, forces these to submit to over-work and to subjugation under the dictates of capital. The condemnation of one part of the working class to enforced idleness by the over-work of the other part, and the converse, becomes a means of enriching the individual capitalists, accelerates at the same time the production of the industrial reserve army [of the unemployed] on a scale corresponding with the advance of social accumulation”. Assuming a very conservative number of average excess hours of over-work of 5 hrs, this translates into 48.5 million hours of over-work by the entire workforce. All else being the same, this translates into 1.2 million jobs that could be created, but are currently turned into the reserve army of unemployment through the “over-work of the employed part of the working class”.

7.1.14. Statistics South Africa does not report the use of labour brokers in the labour market directly. However by 2012 contract work of limited and unspecified duration accounted for almost 32% of total employment. In addition, while the Freedom Charter calls for workers to have rights to negotiate wages with their employers, 54% of the workers receive no regular wage increments or have their wages determined solely by their

employers. Interestingly, despite a lot of noise by bourgeois apologists about the need to decentralise or even abolish collective bargaining, we find that bargaining councils cover just 9% of the workforce, while only 23% of the workers' wages are negotiated directly through unions.

7.1.15. Skills development and training is also a crucial aspect of the labour market. The Commission on Employment Equity Report (2010) observes that for professionally qualified workers, skills development and training remains biased towards Whites, who command 61% of the skills development and training among those who are professionally qualified. Among skilled workers, the Commission on Employment Equity Report (2010) says that: "it is evident that private sector employers continue to invest more training on Whites than on other population groups. If there was willingness on employers to empower Blacks, it would have been evident in the training provided. This therefore suggests that employers are not utilising their training strategically to ensure that they empower the under-represented groups to ensure their upward mobility within the workplace"<sup>22</sup>. Unfortunately, the Commission on Employment Equity Report does not provide information about skills development and training of the unskilled segment of the workforce. We should therefore call for more detail in future Employment Equity Reports.

7.1.16. There are a number of interventions that should be made in the labour market to address the poor conditions faced by workers. COSATU should consider, among others, the following demands:

- Enforcement of an upper limit of a 40-hour work week across the board
- Taxation of firms that pay below the statutory minimum wage, and the distribution of such tax proceeds back to the workers concerned
- Tax reform to target executive pay and to set targets to close the apartheid wage gap
- The Department of Labour must set targets and timeframes to extend maternity leave and all other leave benefits to all workers, taking into account the fact that we are almost two decades into democracy
- Extend social protection and ensure that there is an income floor below which no South African worker or household should fall
- Set targets for the reduction of "low-wage" employment, through the introduction of solidarity measures in wage formation. This should be an integral part of realising our demand that the income gap between the highest paid and the lowest paid should be 16:1.
- Link skills development and training with career-pathing as part of the employment equity targets; skills development and training should lead to upward mobility of the workforce.

7.1.17. The second phase of the NDR cannot reproduce the terrible dynamics of the colonial and capitalist labour market as we have

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<sup>22</sup> Commission on Employment Equity Report (2009—2010), p.30.

outlined. Transformation of the labour market must fundamentally alter the power relations between the worker and the employers, in favour of the worker. Labour market policy in the second phase of the NDR cannot weaken the power of the working class on the shop floor and should be aimed at ensuring that labour as a primary productive force, is developed and enhanced regularly and systematically in tandem with the development of other productive forces. The inequalities in the labour market must be decisively dealt with. A scientific analysis of the race, gender and class premium, which does not reflect the contribution of a person to production, must no longer be tolerated; it must be eliminated with immediate effect. The overwork of the workers must be drastically reduced, to ensure that larger numbers of workers are absorbed into employment. This means that skills development and training, the elimination of the race, class and gender premium in compensation and the transformation of the labour process in favour of the working class should be the hallmark of the second phase of the NDR.

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## **7.2. Labour Market Policy Developments**

**35.**

### **7.2.1. The Youth Wage Subsidy Saga**

7.2.1.1. The problem of youth unemployment, and the failure of past policies to resolve it, opened an opportunity for the DA to attack COSATU, using the mass of the unemployed. This strategy of the ruling class against trade unions is well known and was long ago noted by Marx and Engels in the Communist Manifesto. Nevertheless, it is important that we underline the fact that this attack on COSATU was facilitated by the National Treasury, which re-introduced the youth wage subsidy, a mechanism that was roundly rejected in the 2005 Policy Conference of the ANC and which, again, with good reason, was rejected by the 2012 Policy Conference of the ANC, but a mechanism that is very much at the heart of the DA economic policy and primarily in the interests of the leading DA class constituency, the bourgeoisie.

7.2.1.2. Briefly explained, the youth wage subsidy works as a tax rebate to employers who employ young people who earn below R24 000 a year. New employment receives a full tax rebate, and for retaining existing young people in the workforce, firms are given a fraction of the full subsidy. The idea is that young people are alleged to be too expensive relative to their productivity, and that a subsidy will assist in closing the gap between the high entry-level wages and the low productivity of young people. In addition, as was vehemently argued in the media, the subsidy will at least allow young people to get a foothold on the labour market, thereby increasing their chances of getting into mainstream employment. We have since provided a detailed rebuttal of the youth wage subsidy

idea, and exposed the bankruptcy of the proposal. The following are the main reasons why COSATU opposes the youth wage subsidy.

7.2.1.3. The National Treasury document relies on international studies to justify its proposals on youth wage subsidies, or even employment subsidies. But careful reading of those studies reveals that they lean towards the COSATU position. Based on Treasury's own literature, which they used to propose this ill-conceived policy, we have shown that there are no empirical grounds for this policy. The irrelevance and the likely wasteful effects of this proposal have been amply demonstrated in many cases. International literature shows that the wage subsidy idea is extremely costly and wasteful, with massive *deadweight losses*. The ILO (2011) reports that "research in various countries has shown that wage subsidies lead to combined deadweight and substitution effects of the order of 70-90% of the number of jobs created". The estimate by National Treasury puts the deadweight loss alone to be 58%, i.e. 58% of the promised jobs from the subsidy would have been created without the subsidy (that is, if we believe National Treasury's estimates!).

7.2.1.4. The youth wage subsidy will have significant substitution effects. Firms will have an incentive to let go of existing workers in order to employ subsidised ones. The National Treasury document dismisses this concern on the basis of extremely weak arguments. National Treasury pretends as if it does not operate in South Africa, where the elementary rights of workers are violated on a daily basis. For example, the vast majority of workers do not enjoy the minimum wage regulation. But also more pertinent is the fact that only 29% of the workforce is unionised in South Africa, which opens up the rest, 71%, to abuse. In addition, the existence of labour brokers who screen and manage workers for employers also makes it easy to fire existing workers and get "good ones" on a subsidised basis.

7.2.1.5. The substitution effects are likely to be widespread, especially with the existence of labour brokers. This substitution will hit the unskilled and semi-skilled parts of the workforce the most. By this criterion, and using the 2011 industry structure tables, we find that at least 3.7 million workers are vulnerable to substitution in the South African economy. The tables also include a category of mid-level skilled workers, whose skills composition is difficult to ascertain. However, we can interpret the figure of 3.7 million as a minimum number of workers who are vulnerable to substitution. The National Treasury document argues that the subsidy is introduced at the beginning of a recovery, so that substitution effects will be limited. But this argument is clearly not structural, as it does not consider the skills composition of the sectors involved. Secondly, even if we concede that economic growth will limit substitution, what will happen is that deadweight costs would increase, because with economic growth would lessen the potential impact of the subsidy on firms' employment. But we also know that economic growth is not necessarily going to rapidly increase job-creation because employers do not adequately reinvest the profits generated back into the economy and the structure of the economy remains problematic. Today employers are sitting on R600 billion which they are refusing to invest in the productive economy.

- 7.2.1.6. The third reason why we oppose the youth wage subsidy is that it does not guarantee that training and skills development will take place in the workplace, less so in the sectors where job-creation is likely to be created: wholesale and retail trade, personal services and construction. As we have noted from the Commission on Equity and Empowerment, little training is dedicated to black people, less so to the skilled segment of the workforce. The situation is worse for the unskilled, who are likely to be outsourced, casualised and employed through labour brokers. What is even worse, the National Treasury does not want to mandate training: “the design of any potential employment subsidy may not want to mandate training alongside the subsidy since additional administrative burdens on employers may discourage take-up of the subsidy”. This is indeed a problem, because Treasury’s own literature says that these subsidies depend on training for success. Without mandating training, which is currently very minimal, it is clear that National Treasury relies purely on the philanthropy of the private sector, an expectation which runs against the daily experience of the vast majority in the South African workforce.
- 7.2.1.7. The fourth reason why we oppose the youth wage subsidy is that it will lead to the recycling of young people without training. In the literature they say young people will be fired once the subsidy ends. National Treasury (and the Democratic Alliance) dismiss this on the grounds that “it’s lousy business to fire good workers”. But the fact that businesses have moved drastically towards outsourcing, labour broking and casualisation (of good workers) shows that it is good business to have a workforce that is vulnerable and flexible. The goodness of the worker is subordinate to the power profit. Indeed there are many good workers that have been retrenched only to be hired under labour brokers, or as casuals. Because National Treasury does not mandate that business be held accountable for “recycling”, and seeks to ensure that, during the subsidy period, these young people do not have recourse to labour protection, the proposed youth wage subsidy will produce massive “destructive churning”.
- 7.2.1.8. The fifth reason why we oppose the youth wage subsidy is that with major substitution and increased vulnerability of the workforce, there will be downward pressure on wages. Inequality will worsen as low wage workers replace those that have managed to capture non-wage benefits in their compensation. It can be shown that the increase in the mark-up due to the subsidy will raise the profit-share at the expense of the labour share. This therefore will not take us forward with the triple challenges. Indeed jobs have been created, but at the level of poverty wages. In addition poverty is likely to rise, because employed workers with relatively higher wages will be replaced by many vulnerable low wage workers.
- 7.2.1.9. The sixth reason why we oppose the subsidy is that there is an underlying assumption that there is a gap between entry-level wages and productivity among young workers. Treasury and the Democratic Alliance argue that youth wage rates are too high. However the National Treasury document fails to compute this gap between the wage and productivity. With an average wage of R940 for those that fit the characteristics of at least 60% of the unemployed, it would be interesting to know what is

expensive about this average monthly wage. In fact, our estimation suggests that young people are paid roughly 23% less than their productivity. We thus argue that the youth wage subsidy proposal has no empirical basis in South Africa. The youth wage subsidy also has no empirical basis internationally, as demonstrated by the literature that National Treasury (and the Democratic Alliance) use to support the subsidy.

7.2.1.10. The seventh reason why we oppose the youth wage subsidy is that National Treasury (and the Democratic Alliance) incorrectly assumes that the wage is the major constraint to job-creation. The emphasis on the empirically unsubstantiated gap of an entry-level, or minimum wage, that is above productivity lies at the heart of National Treasury (and the Democratic Alliance's) standpoint. In the first instance, the vast majority of young workers who fit the characteristics of many of the unemployed do not enjoy the statutory minimum wage. In other words, the minimum wage is not a binding constraint. Secondly there is no empirical basis to create a causal link between the extent of coverage by collective bargaining agreements and youth unemployment. Countries with high union and bargaining coverage do not necessarily exhibit high youth unemployment rates, the issue has more to do with economic structure and the role of the state in the economy.

7.2.1.11. The ninth reason why we oppose the youth wage subsidy is that it will simply increase the mark-up of firms without increasing employment. As we have argued above, the reasoning of National Treasury on the technical aspects of the youth wage subsidy is partial and incorrect. Given goods demand, it is clear that a wage cut for employers will simply raise the profit margin without increasing output. No firm will add labour simply because the wage has been cut for it, i.e. no firm will add labour beyond what is required to meet the demand for its goods at a given price. There is no firm that employs workers for charity or out of good heart. The law of the profit reigns supreme at all times, not social and political considerations.

7.2.1.12. The tenth reason why we oppose the youth wage subsidy is that it does not contribute in addressing the underlying causes of the youth unemployment problem. In fact the youth wage subsidy may exacerbate the triple crisis of poverty, unemployment and inequality. To think that our proposals are "long-term" in nature is to fail to understand their practical nature. The basic education system funnels 400 000 young people every year into the labour market. What is required is a national effort to drastically expand the education and training opportunities of these young people. The youth wage subsidy proposal is like taking out water from a highly leaky boat, using a small leaky bucket.

7.2.1.13. The COSATU position uses the National Skills Development Strategy III as a point of departure, by calling for expansion of the FET sector to accept 1 million learners per annum by 2014, compared to the current 400 000 per annum. This will in turn reduce the youth labour force, by extending their stay in the education and training system, so that they acquire basic and high-level cognitive skills (as the Germans and

now the Australians are doing). Then state-owned enterprises, agencies and departments must stand ready to absorb these young people into practical training and provide work experience, especially given the massive infrastructure backlogs and maintenance that has to be done.

7.2.1.14. The private sector can do the same, without being given wage subsidies, but policies must be in place to support industrialisation and agriculture. The state must have capacity to plan and forecast for the numbers of young people who enter the post-school system and exit it, and ensure that no one falls through the cracks. This is what the German system does and what the Green Paper on Post-School Education and Training proposes; it does not encourage young people to enter the labour market unskilled, it prepares and empowers young people to have solid career paths in the workplace. In South Africa, there exists a huge possibility that, even if the subsidy is re-designed to improve job-search, young people in desperation may choose to go straight into employment than increase their educational attainment, under the pressure of poverty and starvation. This will have serious long-term impact on the career prospects for young people.

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## **7.2.2. Employment Rights**

**37.**

7.2.2.1. The Freedom Charter demands protection of worker rights, to form trade unions and for workers to negotiate with employers. The RDP highlights the need for democratic South Africa to address the colonial and capitalist power relations between employers and workers. It is often argued that Labour Law plays a game of “catch up”, in that it tends to reactively and retrospectively reverse the losses suffered by workers as employers embark on ever more complex legal manoeuvres to evade complying with labour law protections. Against this background, gains by labour rarely constitute a REAL advance but rather an attempt to reinstate an EARLIER status quo. Within the context of the ever-changing nature of the employment relationship, this has transformed into an ongoing class battle to resurrect the more traditional or typical form of the employment contract, whereby workers are employed on a full time basis on an indefinite formal contract with a regular wage and employment benefits. Job security, in the form of a formal contract, is also associated with more traditional, regular employment.

7.2.2.2. However, employers have tended to decrease (in some cases completely detach themselves from) their legislative obligations by variously:

- Disguising the true employment status of a worker as a commercial contract, using such contractual forms as independent contracting or the contract of a so-called owner-driver, as is the case in the road freight industry.
- Fragmenting the workplace, using outsourcing arrangements or restructuring the organisation commercially into separate business units and legal entities.

This has contributed significantly to undermining the centralised nature of collective bargaining.

- Relocating employer obligations to a third party/intermediary using outsourcing, subcontracting, labour broking and franchising.
- Using insecure contractual arrangements such as casual or short-term contracts (20% of workers are on verbal contracts, while 32% are on non-permanent contracts).

7.2.2.3. For vulnerable workers, such as farm workers and domestic workers, these abuses are even more pervasive, given the inherent difficulties in organising workers in order to harness collective power. While sectoral determinations do set the minimum floor for wages and conditions but there remain serious problems with both enforcement and the minima being set too low, as we have illustrated above. Indeed, experience has shown that casualisation and other atypical forms of labour have contributed to declining levels of unionisation, with workers being more easily intimidated against joining explicitly or implicitly owing to poor job security. It is also more difficult for union organisers to access atypical workers whose working times are correspondingly more irregular.

7.2.2.4. This environment defines the context of the much-publicised Labour Law Amendments.

a) *The Labour Relations Amendment Bill*: Noting our concerns around atypical employment sketched out above, the draft amendments to the LRA, when viewed collectively, reflect a significant improvement to reverse the trends of casualisation and atypical forms of labour. A few important gains for workers include restrictions imposed on the abuse of temporary contracts in that may be deemed to of a indefinite duration if there is no justifiable reason for fixing the term of the contract, part-time and fixed-term workers should not be treated less favourably than full-time and permanent workers (although with fixed-term this kicks in only after 6 months); and joint and several liability for employer obligations will be imposed in respect of outsourcing and subcontracting arrangements.

Notwithstanding this, the draft amendments to section 198 of the LRA do not go far enough to address our concerns about labour broking and more specifically does not provide for a full ban on the practice. In the version that is currently before Parliament, labour broking arrangements may still be used for employees classified as “temporary services”, whereby the labour broker remains the employer. These fall into three categories, namely:

- i) A worker acting as a substitute for another who is away temporarily although the period is UNDEFINED;
- ii) A category of workers determined through a bargaining council agreement or sectoral determination, or
- iii) Workers engaged for a six month period.

Workers who earn less than the BCEA threshold of R172 000 per annum and who do not fall into the above categories are “deemed” to be

employees of a so-called client (the true employer). However, the commercial contract between the true employer and the broker does not fall away. This has given rise to our concern that any real protection for workers would only be possible during the duration of the commercial contract between the broker and the true employer. Arising from a bilateral with the ANC there was an agreement to address this concern and review others such as the substitute/temporary work and 6-month categories. However, in the absence of alternative drafting there remains lack of clarity as to the final outcome.

A further serious concern relates to amendments affecting rights during probation, whereby an employer is allowed to employ a worker for an initial “trial period” to assess their “suitability” for indefinite employment. As no provision is made for procedural and substantive fairness to justify termination this amounts to complete freedom to hire and fire. This fundamentally alters the employment relationship during probation and is subject to wider abuse considering our context of structural unemployment. Yet, the RDP stated that in a democratic South Africa, the historical imbalances of power between employers and workers must be corrected.

b) *Other Labour Law Amendments:* Other amendments also under consideration include the Basic Conditions of Employment Amendment Bill, Employment Equity Amendment Bill and the Employment Services Bill. Key developments arising from these include:

- a) Increased restrictions on child labour.
- b) Provision for an “umbrella” sectoral determination that would apply to workers who are not covered by other sectoral determinations or bargaining councils.
- c) Provision for equal pay for equal value and increased penalties and enforcement in respect of the Employment Equity Act
- d) Provision for the establishment of Public Employment Services under the Department of Labour, which will facilitate job placement.

COSATU will engage with the Parliamentary process on the above Bills.

*Outcomes of the Gender Conference:* Arising from the Gender Conference of March 2012 a number of key recommendations were made which include:

- a) Call for the ratification of the ILO Maternity Protection Convention 183 of 2000 as well as the accompanying ILO Recommendation (R191), with emphasis on increasing rights for nursing mothers, child care, paternity leaves.
- b) Review of the unemployment insurance fund and its application to maternity leave.
- c) Noting that the adoption is imminent of the ILO Convention 189 on Domestic Workers, there needs to be renewed emphasis on the enforcement of rights for domestic workers, as well as providing the requisite support to aid the capacity of SADSAWU to fulfil this function.

- d) Revising the existing draft COSATU resolution on sex work, with the emphasis being on calling for sex work to be decriminalised and ensuring that sex workers are able to rely on employment law for their protection.

7.2.2.5. There are other legislative developments that COSATU has to deliberate on. These are:

a) *The right to strike*: Two significant and adverse developments for the protection right to strike must be noted, as outlined below:

- i. The draft labour law amendments to the Labour Relations Act (LRA) that would constrain the right to strike and picket generally and further widening of the scope of essential services, thereby excluding protection of affected workers' right to strike.
- ii. The Constitutional Court judgement handed down in the SATAWU vs. Garvis and others. With hindsight this was not the most ideal case to have used to challenge the Regulation of Gatherings Act. Further it illustrates that we should proceed with caution in testing collective rights (as opposed to individual rights) in the Constitutional Court where even progressive judges appear not to understand the dynamics of labour law in balancing skewed power relations in the employment relationship by recognising collective rights. Furthermore, owing to distorted media coverage, there appears to be considerable misconception that strike and protest actions are invariably violent in nature when the exact opposite is true.

Arguably although this judgment went against SATAWU, the weight of the damage has been more symbolic than technical in nature. Technically the case was limited to SATAWU arguing that in order for it to claim the defence against liability for damages under section 11(2) of the Act, they had to show that the damage was "not reasonably foreseeable". They argued that since an organiser would normally take reasonable steps to guard against an act/omission (giving rise to damages claimed), it would make that act/omission foreseeable and that this therefore rendered the defence unavailable. The Constitutional Court rejected this argument essentially indicated that by leading facts of the case it was possible to claim the defence under the Regulation of Gatherings Act.

As the outcome of the judgment turned on the technical wording of a single provision and whether it afforded a defence against a claim for damages, the adverse outcome does NOT constitute in itself an unqualified endorsement of the Regulation Gatherings Act. Having said that, in the public eye and for those unable to grapple with what is not an easily understood judgment, it has come to symbolise wholehearted endorsement of the Regulation of the Gatherings Act. Further it has given impetus to others (for example, City of Cape Town in relation to SAMWU) to mount further legal challenges to chip away at rights to protest action. While our serious concerns about the chilling effect of the Regulation of Gatherings Act remains,

it would be a better strategy to attempt to address this through a political process as opposed to through the courts.

7.2.2.6. Amendments to the Labour Relations Act focused on the following aspects:

- a) *The right to strike generally:* The RDP states that: “The basic rights to organise and to strike must be entrenched”. But attempts are now being made to move in the opposite direction. It should be noted that arising from a series of bilateral meetings with the ANC there was agreement to remove a number of the offending provisions and have these dealt with through the bargaining councils (in respect of essential services) and the procedures applies under the Regulation of the Gatherings Act. Notwithstanding these agreements the Bill was tabled in Parliament WITHOUT the relevant sections being deleted or amended. An assurance has been given that these amendments will be dealt through the Parliamentary process. However, without having had sight of what the revised text would entail OR an absolute guarantee that these will be effected, it is necessary to at least outline our concerns with the provisions as follows:
- i) Trade unions will be required to ballot members who are entitled to strike in respect of the issue in dispute, with majority who voted having voted in favour. A ballot must be certificated by the CCMA, bargaining council or other accredited agency. (See section 6 of the Labour Relations Amendment Bill, which amends section 64(1) of the LRA.)
  - ii) Balloting requirements were a feature of apartheid labour legislative regime. Its absence in the current LRA was no oversight but rather an acknowledgment of the extensive abuse of technicalities around balloting to prevent industrial action. Its reintroduction reflects a fundamental attack on the right to strike.
  - iii) The existing section 67(8) does provide protection against dismissal or contractual breach for an act that constitutes an “offence”. The amendment proposed under section 8(b) of the Bill now extends this exclusion to a “material breach of a picketing agreement ...or a picketing rule”.
  - iv) Quite problematically this equates a breach of a picketing rule/agreement with a criminal offence and attaches the same adverse consequences.
  - v) Section 9(a) of the Labour Relations Amendment Bill amends section 69 (1) of the LRA, by deleting the words “and supporters”. This would mean that a picket would be limited to the members of the trade union who are part of the bargaining unit. This would exclude workers outside the bargaining unit and public/ civil society supporters. This is a fundamental attack on the right to participate in protest action more generally. According to the CURRENT law pickets are subjected to picketing rules and agreements, which apply to both members and supporters who participate. This already ensures adequate protection for employers during pickets.
  - vi) Section 9(d) of the Labour Relations Amendment Bill inserts a new section 69 (12)(c) into the LRA allowing the Labour Court to grant

relief in respect of a picketing dispute, by suspending the picket or strike.

vii) This provision has far-reaching consequence since it would include the power to suspend a strike, and is capable of being opportunistically used by employers to frustrate industrial action.

b) *Essential Services*: In contradiction of this section 13 the Labour Relations Amendment Bill introduces a new section 71A that expands the definition of essential services to include “public officials exercising authority in the name of the state”, which it lists as:

- Customs’ officials
- Immigration officials
- Judicial officials and officials working in the administration of justice

7.2.2.7. No definition is provided for this new category, which is not surprising since internationally it has proved difficult to define. The list approach poses a particular problem since it means that it can be amended and extended more easily without having to show compliance with the LRA definition OR undergo a proper investigation into the justification for its designation. Further the link to “authority” undermines fundamentally the rationale of the definition of essential services in the LRA, which has a different focus, namely endangerment to health and safety. This creates the space for further similar designations on the grounds of “exercise of authority”, which in the public sector is potentially limitless.

7.2.2.8. All these legislative amendments are geared towards weakening the collective power of workers, and to further increase the rate of exploitation of labour in general, and especially given the pressures of dwindling profits in the context of the Global Economic Crisis in particular. Whilst the power relations between employers and workers have not been fully addressed by the democratic dispensation, to introduce these amendments would roll back many of the gains that workers have made in the democratic era.

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### 7.2.3. Skills Development and Training

## 39.

7.2.3.1. The 2009 Congress mandated us to align all SETA’s in economic sectors that are closely related into one and thus minimise the SETA ‘s. This was a call to reduce the number of SETA’s, which was 23 at the time, in order to simply and improves the efficiency of the skills development landscape. The problem however is that when Congress Resolutions are taken, their interpretation among affiliates varies. With respect to this decision, we were therefore unable to emerge with a meaningful re-alignment process. The problem of re-alignment of sectors also brings the fear to many Unions that once particular sub-sectors are

incorporated into other sectors that would translate into how the Union-merger processes will unfold. Attempts to merge SETA's led to 21 SETA's being formed, which shows very little progress. The problem gets even more complicated when one union is represented in more than one SETA, but is reluctant to merge the SETA's.

7.2.3.2. Another major policy development since the 10<sup>th</sup> Congress emerged from the Department of Higher Education and Training. Firstly, the Department released the National Skills Development Strategy III, which outlined the key areas of intervention, including the types of skills that have to be prioritised, in order to support socio-economic development. More recently, the Department released another very progressive policy document on the Post-School Education and Training System. This document seeks to integrate all the learning, education and training sub-systems after the Basic Education component area. Our response to this thought provoking process has been the following:

- Alignment of Skills Sectors to those of the Government Departments and even Collective Bargaining Structures
- Government departments to honour their commitment to contribute to the Skills Levy. The White Paper must provide timelines of government's contribution to the skills fund and the process towards the scrapping of the SDLA provision that exempts a huge section of the public service from contribution.
- The increase the skills levy from 1% of payroll to 4% of payroll
- Cutting of excessive training programmes that do not lead to accredited qualifications. Funds should be directed more towards artisanships that lead to a full qualification.
- NSA constituencies should be aligned with those in NEDLAC
- Maintain a stringent quality assurance mechanism and that government must not simply the NQF process by removing levels. There should be no separate quality assurance mechanism besides the NQF.

7.2.3.3. Another policy development that should be mentioned is the signing of the Skills Development and Training Accord. Since the signing of this Accord, the Economic Development Department has also engaged us in the process to engage all social partners especially Labour and Business, on the implementation of the targets in the Accord. We have thus far engaged the other stakeholders in the Artisan Development Technical Task Team (ADTTT). We have all realised that SETA Funds non-usage can be easily eradicated if we all commit to deliver long term and accredited programmes and also using public FET Colleges in the main. With the current calculations of 30 000 Artisans going through the system, many SETA's will use their funds and some are already of the view that they will be rendered bankrupt. Once all the Manufacturing SETA's are geared up and delivering on Artisan Programmes, we will also look in the areas of Technician and even engineering training to address the reportedly huge skills backlog. We should however bear in mind that as COSATU we need

to come to the party and provide all the data on Artisan-Aides so that many of our members can obtain these qualifications even through the RPL process.

#### **7.2.4. Expanded Public Works**

40.

7.2.4.1. The Expanded Works Programme was launched in 2004 under the Department of Public Works, and was extended to a second phase in 2009. The first phase exceeded its target of one million work opportunities. Implementation of the second phase was consulted in Development Chamber of Nedlac, during which COSATU raised a number of concerns including the practice of some municipalities of substituting permanent workers with EPWP workers, the low rate of pay, and issues of training. As a result of concerns raised by COSATU DPW agreed that the monitoring and auditing of EPWP should be expanded to reflect social indices including the impacts of EPWP on training, on poverty alleviation, on income creation, and on positive or negative impacts on job creation.

7.2.4.2. To date however, the reports received at Nedlac have been irregular, and do not include the agreed assessment criteria. At the time of writing, government had been directed to produce such a report for Nedlac by September 2012. EPWP workers are recognised as workers in terms of labour legislation and their conditions of employment are governed by a Ministerial Determination (the most recent one was published January 2012) as well as a Code of Good Practice published by the DOL in 2002. The key elements of conditions of employment are as follows: -

- Employment is regarded as part-time and temporary. No EPWP worker may work for longer than 24 months in a cycle of 5 years.
- Maximum hours per week is 40 hours
- COIDA applies but workers are excluded from UIF
- Payment must be in cash. The current rate is R60.18. (According to DPW and DOL this is set in line with the level of the disability social grants as well as minimum rates in other Sectoral Determinations.)

7.2.4.3. The Determination also regulates conditions such as sick leave and sick pay, family responsibility leave, maternity leave (but no maternity pay, due to the exclusion from UIF), and a statement of conditions of employment. Some of the programmes within the EPWP include work on the environment, tourism, road maintenance, early childhood development, community based care and community safety. The target for the first phase was one million work opportunities and the target for the second phase is 4.92 million work opportunities (2,020,436 full time equivalents). In the first phase the profile of the EPWP workers was found to be the following: -

- Average age 36.5 years
- 54% male and 46% female

- Household income before EPW R500-R900 and after EPW R900-R2000. Average earning per work opportunity was R3000 over a period of between 3 and 4 months.
- Average household size 5.37

7.2.4.4. The average duration of the work opportunities in the first phase per sector was infrastructure 51 days, environment 45 days, and social 165 days. The target for the second phase is an average of 100 days. COSATU's engagement with the Expanded Public Works Programme has been limited largely to consulting in Nedlac over the terms of reference of the programme, and engaging the reports presented. However, as indicated earlier, the reports are irregular (they are supposed to be quarterly) and they do not meet the include assessment criteria of impacts on training, job creation/loss, and poverty alleviation.

7.2.4.5. COSATU needs to consider the following:

- How can we step up our engagements, particularly at a sectoral level? Given that most programmes are delivered at provincial and local government level, the public sector unions must consider how they can assist in monitoring the positive and negatives impacts of EPWP.
- In addition, Provinces and Locals must consider how they can monitor the impacts on communities. Congress also needs to consider a strategy to organise EPWP workers, notwithstanding the challenges of organising temporary workers.
- How do we realise our vision of the Expanded Public Works Programme that it should act as an "employer-of-last-resort" as outlined in our Growth Path document, provides skills development and training, and guarantees sufficient income support to reinforce our call for an income floor for all those willing and able to work.

## 2.8. Social Security and Retirement Funds

8.1. The report covers activities that took place between the period 2011 and 2012. The activities were coordinated through the committee that was elected at the retirement fund conference. Some of the activities include the broader Labour i.e. FEDUSA and NACTU.

8.2. We convened a Nedlac Labour Conference in 2011 and the resolved as follows:

- *Mandatory Preservation of Retirement Funds*: The conference noted the proposal by Treasury to introduce compulsory preservation of retirement funds which, if implemented would prevent members of provident funds from withdrawing their full lump sum, on unemployment or retirement. While preservation of retirement funds is desirable in societies where the unemployed have a guaranteed income, conference is of the view that preservation cannot be implemented without a comprehensive social security system being put in place, including universal income support for all unemployed.

41. There are other complex questions, which would need to be addressed before mandatory preservation could be introduced. Most importantly, such a decision could not be taken without widespread consultation and discussion with affected workers. Any discussion on the matter has to take into account the historical evolution and significance of this issue, in the context where many workers are facing unemployment and poverty. A number of detailed issues were identified for further investigation, including questions such as replacement rates on retirement, the prescribed percentage which could be taken as a lump sum, if preservation is introduced, the ability of workers to use savings for unforeseen life events etc.

The conference has resolved that before a conclusion is reached on these and other issues an investigation must be undertaken as to how retirement fund preservation, if it is to be adopted, should be dealt with under the following four key circumstances, including ensuring proper fairness and equity, and that workers are properly protected, while ensuring that they are adequately provided for in old age. Specifically, how any proposed preservation would work in the case of:

- Changing of jobs
- Unemployment
- Divorce
- Retirement

Different considerations apply to each of these situations and rigorous investigation is required on the appropriate policy options in each case. Labour has resolved to set up a working group in Nedlac, with the support of the necessary expertise, to thoroughly debate and consider these options.

- *Trustee Education*: This commission considered issues around the capacity of trustees to fulfil their duty. We reflected on current challenges such as training only being conducted by service providers and such training being one-sided and inadequate to fully capacitate us to represent the interests of our members. We also found that we lack advanced training opportunities for those who are already well versed in trustee duties. These and other related issues pose complex challenges to trustees. In response, we identified a training concept to address some of the challenges.

The concept includes basic trustee training that we suggest should, by law, have to take place at least within the first six (6) months of trustees being appointed. The Act should also compel employers to give employees sufficient time off to undergo this training. The training should be pitched at different levels, starting with the mandatory basic training covering a basic understanding of the Act, rules and terminology used. It should provide a basic understanding of all types of funds. We are convinced that the basic trustee training should not be accredited so that access is not limited. It should not be classroom-type training, but rather one-on-one training with individual and verbal assessment. This training should not result in a

“pass” or “fail”, but should focus on empowering trustees, and should be funded by the respective funds.

We believe advanced levels of trustee training should be accredited and based on the choice of the individual trustee and / or the trustee board in question. This training should be funded by the 5 SETAs. However, we agreed that further discussion was needed to finalise the issues – specifically the issue of more advanced trustee training.

- *Disclosure and Transparency:* It was the general observation by the Commission that the following issues of non-disclosure and transparency needed to be addressed by the NEDLAC Labour Constituency: Inability to compare fund products; Unclear mechanisms such as fees and premiums found within the funds create confusion; Pricing and risk diversion not understood by most contributors; Statutory requirements to ensure disclosure of information; Compulsory simple language requirement of regular “*annual statements*” to take more informed decisions with regards to: Contributions already accumulated from both the employer and employee; likely pension benefit to be received if you continue with contributions until retirement, adjusted for inflation and investment risk; Contributions needed to reach a particular replacement ratio of 75% of salary at retirement; Benefits due to beneficiaries upon death, disability; breakdown of the administration and investment fees and the net benefits.

The Commission further identified issues that lacked transparency and disclosure to trustees and members: Choice to switch to another fund under the portability enabled system, if so desired by a member; Brokerage fees constitutes a major percentage of the contribution and the savings portion is therefore diluted; Transitional costs also contribute to additional unnecessary expenses as the trustees are sometimes not aware of the associated costs; One-stop shop service providers (hidden costs) without a clear total cost structure being disclosed. The effect of putting all your eggs in one basket is therefore diminished as a risk of a singular provider; Commission, bulking and secret investment practices not disclosed to the fund; Retirement Annuities charges not disclosed whilst you are already on pension.

In order to deal with the abovementioned issues with regards to transparency and disclosure the Commission recommends the following: Appropriate and compulsory training of all trustees of retirement funds to be able to identify and interpret areas of non-disclosure and lack of transparency; Clear and understandable communication strategy to members, shop-stewards, union officials to assess and understand their benefit statements to enable them to interpret the status of their contributions and investment returns at regular intervals (preferably a minimum of twice a year); Fund must have appropriate sub-committees consisting of, inter alia, member representatives to be able to deal with risk and auditing; Develop “Chinese walls” in respect to actuarial; consulting and risk; Proper service level agreements must be structured between the funds and all service providers which includes all aspects of good corporate governance; The fund trustees should ensure that asset managers comply with the Financial Services Charter, BEE Code and King III where applicable.

This must include audited financial statements, fidelity cover and registration certificates; Declarations by asset managers that they are not paying fees to consultants, asset allocators or trustees of the same fund. In conclusion the commission recommends that the Nedlac Labour Trustee forum initiate a research into the King 3 report and its alignment to PF 130 in terms of corporate governance.

- *Public sector retirement funds:* The conference noted the disparity in the application in the legislative framework between Public Sector pension funds to that of the private sector counterparts. Whilst most of the SOE funds and Local Government funds do subject themselves to compliance with the PENSION FUND ACT, the discussions focused predominantly on the Government Employees Pension Fund, given that they are governed and regulated by the Government Employees Pension Law as opposed to the Pension Fund Act. Critical to this is the fact that the GEPEF falls outside the supervisory ambit of the FSB and is not subject to the precedents set by the Pension Fund Adjudicator. The conference noted that whilst the Board of Trustees of the GEPEF had made substantial strides to align the Government Employees Pension Law to the prescripts and practices PENSION FUND ACT and FSB, there remains a need to have a single legislative architecture that requires all retirement funds to register under the ambit of the PENSION FUND ACT and to be under the scrutiny of the FSB.

The conference concluded the need to rationalize the 27 local government funds into a single fund given the fact that the state is the sole employer and to further enforce equitable and coherent benefits to all employees. The conference also rejected the tacit assertions and implications by National Treasury to do away with provident funds. The conference noted the FSB's request for a levy increase of 8% per member to fund the Office of the PFA. The conference is concerned by the implications of over burdening the members' savings given the decrease and erosion in employee benefits. The conference is in the view that a CPI increase may be appropriate and that the shortfalls be funded by the fiscus and industry. A dialogue between NEDLAC and FSB is necessary to clarify the position.

8.3. The Conference resolved to urgently seek a high level meeting with government to get clarity on a number of questions, including those identified above: the proposed process around release and engagement of government's pending proposals; envisaged timeframes for negotiation and implementation; and the scope and character of the proposed policy interventions. Organised labour will set up working groups to prepare for engagement at Nedlac; to commission appropriate research and expert input; and to analyse and assess the various policy options. We will formally table our concerns and a proposed way forward at the Nedlac Manco. We appeal to the President to ensure that there is coherence and integrity in the proposals being put forward by various government departments, and that identified problems of non-consultation, paternalism, and piecemeal interventions, are decisively addressed and brought to an end. For our part, organised labour commits itself to addressing the identified challenges with the urgency and seriousness they deserve, and to engage more broadly with civil society, to ensure that the issues

of both workers, the unemployed, and other sectors are taken on board.

8.4. The COSATU conference supported the principle and tasks the committee to liaise with NOB'S to take forward the process by convening a conference of the COSATU top ten funds. Minister of Economic Development is still keen on the matter of investing in Infrastructure development and we also support:

1. FORMATION OF RETIREMENT FUND BODY.

- Form a single industry body that will represent the retirement fund industry by providing representation to retirement funds as a collective and services to the fiduciaries employed by them as individuals.
- The new association aims to address issues related to the safeguarding of Southern African pensions savings.
- The mission of the new association is to create an environment so that members and beneficiaries are in a better position to save effectively and to retire securely and by so doing provide the new generation retirement fund and their fiduciaries with the required independence, skill and abilities to manage funds appropriately and with good governance and to provide a value added service.
- Actively promoting the transformation of the retirement industry at all levels to reflect the demographics of South Africa;
- Encouraging transparency, cooperation and collaboration;
- Improve the governance of retirement funds;
- Upholding the principles and spirit of fit and proper requirements as set out in the Pension Funds Act, Regulations and Directives;
- Upholding fiduciary independence, accountability, transparency and ethical behaviour;
- Achieving efficient regulatory frameworks that provide good prudential and member protection;
- Pro-actively engaging government and the regulators with a view to influence, direct and improve regulatory regimes;
- Creating an environment whereby service providers are encouraged to render a superior service to the retirement industry as a whole;

8.5. Guiding principles of formation are:

- The association will operate within the South African retirement industry;
- The association will represent all types of retirement funds;
- The association will provide general and custom-made services all the fiduciaries employed by the funds with an aim to up skill, train and educate;
- Members would participate by providing resources to service on the board of directors, board committees and working committees;

8.6. *Trustee Training*: The committee organised training in February 2012 and the following were addressed:

- Basic of investment principles
- Investment management
- How to select investment management
- Investment in Developmental Infrastructure

8.7. Professionalization of principal officers: We participated in steering committee that was working on professionalization of PO.

Objectives:

- To address the apartheid legacy whereby most of the worker PO's skills were not recognized because they did not have certificates.
- Register a qualification with SAQA
- Get PO to be accredited
- To encourage them to maintain accreditation by improving their skills through continuous studying
- Design of qualification, standardise summative exams

8.8. Retirement funds represent a form of a savings repository to which employees and their employers contribute, either voluntarily or by virtue of a binding employment arrangement, with a view to the members receiving financial benefits upon their retirement, death, disability or the termination of their active employment with the employer concerned.

8.9. The South African retirement industry is transforming. Governmental as well as private initiatives inform the direction and scope of change. Presently formal sector workers are the main beneficiaries of retirement benefits. This part of the retirement industry is well regulated. For some years discussions on reforming the South African social security system have been underway. The aim is to ensure a safer financial sector and to establish a compulsory government driven retirement fund for all employees.

8.10. What problems need to be addressed? A serious challenge within the retirement fund industry pertains to the lack of sufficient provision for retirement by a large portion of the population, specifically those working in the informal sector. These workers are vulnerable to economic volatility and change. Vulnerable workers for the purpose of this discussion would include those working in very small companies, households, on farms or who are self-employed. They may change jobs frequently and often live and work in rural areas, where financial infrastructure is poor or non-existent. It is thus logistically difficult for these workers to participate in formal pension schemes.

8.11. The intervention by National Treasury first and foremost focuses on ensuring that the present retirement framework is properly regulated and that formal sector workers are optimally protected and brought into the savings net. Initiatives differ from broadening social assistance programmes to adopting contributory retirement scheme to the informal

sector. An important observation one can derive from these initiatives is that innovation and well-structured partnerships between government and the private sectors enhances the propensity to find workable solutions to extend retirement savings to vulnerable workers.

8.12. Where are we heading in South Africa? The steering committee concluded that the Mbao model is suitable for the South African environment. The objective is to facilitate the implementation of a similar provident fund but adjusted to meet the needs of vulnerable workers i.e. those covered by Sectoral Determinations and otherwise. The team identified that there were between million 6 – 9 potential members to this Fund in South Africa.

8.13. Who are the project team? A Project Management Committee (PMC) has been in place since March. This team has taken responsibility for the day to day management of the Project together with a dedicated project manager. This forum consists of Wanjiru Kirima, Stephen Smith (ASISA), Rowan Burger (Liberty), Megan Butler (Alexander Forbers), Johan Schreuder (Investec), Simon Mabunele (COSATU), Simba Marumo (COSATU), Isaac Ramputa (COSATU), Dana de Villiers (Fedusa), Simba Marumo (COSATU), and Wellington Masekesa (PIC).

8.14. This team has been engaging at least once a week since the trip to Kenya in order to make this project a reality. Not all members have been in a position to attend all the members but we have seen real commitment from majority of the members.

8.15. Who are the strategic partners? The strategic partners that have been identified for the project include:

- a. Ministry of Labour who are the policy and regulator for sectoral determinations. They set the terms of employment for over 4 million employees.
- b. Ministry of Social Development in terms of the social reform agenda
- c. Ministry of Finance in terms of current policy makers.
- d. The Financial Services Board (Pensions Regulator)
- e. Labour Federations -We have identified groups for the pilot phase namely; footballers, farm-workers, actors, domestic workers, hawkers/street vendors and creative artists.
- f. The Public Investment Corporation (PIC), who have been identified as the potential Fund Manager for the Fund,
- g. Banks (mobile banking platforms)

8.16. What are the key success factors? The research identified the following as the key success factors for a sustainable and successful pension/savings fund for the informal sector of an economy:

- a. Strong distribution channel at ground level,

- b. Low cost model
- c. Transparent pricing system members can understand,
- d. Instant access to Fund Value via phone
- e. Community buy-in from associations, labour/union or strong brand name e.g. Grameen Bank,
- f. Trust in terms of Sponsor and Service Providers,
- g. Convenience and flexible contribution and withdrawn model e.g. via a mobile phone or via community. Do not have to travel long distances and can do frequent transactions.
- h. Efficient administration platform
- i. Strong promoters

8.17. National Treasury requested a meeting to brief COSATU about the paper they are about to release, which has proposals that affect retirement funds. They raised the following issues:

- *Retirement Reform*: They are worried about the leakage in the system caused by fees and withdrawals by members when they leave their jobs. How do you fix the current system? They proposed to bring in Compulsory Preservation, which they will put conditions during retrenchment after a worker has exhausted UIF benefit, and for major medical situation. They also proposed to turn Provident funds to annuities at retirement, which means a worker will be forced to buy annuity instead of withdrawing all his savings as per current practise.
- The Retirement Annuities to be Standardize and also simplify for ordinary people to understand. Deal cost and Disclosure issues:
  - They will not support preservation for historical reasons, and also without a social security net.
  - Support the standardisation of RA's and the simplification thereof.
  - Called for National Treasury to stop the piecemeal approach, and release the full Comprehensive Social Security paper that we have been promised for many years now.

8.18. Issues outstanding are:

- Finalise the formation of the new organisation that will represent the interest of the Retirement Fund which is biased to Labour
- Finalise consultation on formation of provident fund for vulnerable workers located in the broader comprehensive social security.
- Implement ESG in all the funds and training of trustees
- Finalise our document on the comprehensive social security.
- Engagement with Old Mutual and Alexander Forbes on transformation.

8.19. **Meeting Basic Needs**

**42.**

**8.19.1. Access to Quality Education**

**43.**

**8.19.2.** The Freedom Charter states that: “The government shall discover, develop and encourage national talent for the enhancement of our cultural life; All the cultural treasures of mankind shall be open to all, by free exchange of books, ideas and contact with other lands; The aim of education shall be to teach the youth to love their people and their culture, to honour human brotherhood, liberty and peace; Education shall be free, compulsory, universal and equal for all children; Higher education and technical training shall be opened to all by means of state allowances and scholarships awarded on the basis of merit”. In addition the SACP (1962) said: “Standards of education must be the same for all children, irrespective of race, home language or economic status, and designed to develop citizens imbued with a love of their people, their country and humanity”.

**8.19.3.** In 2010, we noted five aspects that define quality education<sup>23</sup>: the learning environment, what learners and educators bring, curriculum content, teaching and learning processes and support systems for learners and teachers, outcomes of the education system. Although the education system is in crisis in all these aspects, it is the learning environment that is the most pressing. We mentioned that major challenges and backlogs continue to plague the education system. Although there has been massive improvement in the following indicators, more still needs to be done to support the new growth path. Our schools are not healthy, safe and are not conducive for quality learning and teaching.

**8.19.4.** We further reported that the crisis in education persists and the quality of education is declining: The poor’s children remain trapped in inferior education with wholly inadequate infrastructure. According to an OECD report, 70% of (matriculation) exam passes are accounted for by just 11% of schools, the former white, coloured, and Asian schools. What is of major concern is that 12-year olds in South Africa perform three times less than 11-year olds in Russia when it comes to reading and 16-year olds in South Africa perform three times less than 14-year olds in Cyprus when it comes to mathematics. Furthermore it is estimated only 3% of the children who enter the schooling system eventually complete with higher grade mathematics, 15% of grade 3 learners pass both numeracy and literacy, 70% of our schools do not have libraries and 60% do not have laboratories, 60% of children are pushed out of the schooling system before they reach grade 12 and 24% of learners finish schooling in record time.

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23 See Quality Education For All—From a Girl’s Point of View, UNICEF Booklet.

**8.19.5.** We also noted that 42% of schools depend on boreholes, rainwater or have no access to water on or near site, 61% of schools have no arrangement for disposal of sewage, 21% of schools have no toilets on site or have more than 50 learners per toilet, of those with toilets 36% depend on pit latrines, 16% have no source of electricity on or near site, 41% of schools have no fencing or the fence is in poor condition, 93% of schools have no libraries or libraries are not stocked, 88% of schools have no laboratories, or laboratories are not stocked and 81% of schools have no computers or more than 100 learners share a computer. It is clearly very difficult, though not impossible, to discover and enhance national talent under these conditions.

**8.19.6.** The report from COSATU Mpumalanga Province to the 11th COSATU Congress suggests that, despite improvements in education performance in the province, the material conditions in the schools remain a challenge: “The Department of Education in the province, working together with all stakeholders including our progressive and militant South African Democratic Teachers Union have made significant progress in the provision of excellent and quality education in the province, as a result the matric pass rate in 2011 increased from 56.8% to 64.8%. Despite all their efforts, the crisis in education in the province persists and the quality of education in poor communities continues to decline. The poor’s children remain trapped in inferior education with inadequate infrastructure. The former white, Asians and coloured schools still account for more than 70% of the matriculation exam pass rate in the province. The pass rate in the historically black schools is hovering between 30-40%. In the historically black schools 70% of the schools do not have libraries and 60% do not have laboratories, 60% of the previously disadvantaged children are pushed out of the schooling system before they reach grade 12. Most children in the province still receive education in schools where infrastructure is very poor and unsafe”.

**8.19.7.** The report from the Eastern Cape PEC to the 11th Congress mentions that “in March 2011, the National Cabinet declared Section 100 (1)(b) in the Department of Education in the Eastern Cape. This was necessitated by the challenges the Department confronted at the beginning of the academic year, and these included the termination of contracts of temporary educators, non-delivery of LTSM to schools, stoppage of scholar transport provisioning and temporary suspension of school nutrition”. Lack of proper financial management led to, among other things, “failure to provide textbooks and stationery to Section 20 schools due to poor management of the procurement process (the provincial department supplies textbooks and stationery to Section 20 schools as opposed to Section 21 schools that procure their own)”. The Presidential Intervention Task Team was then set up to deal with the challenges, including the reinstatement of all temporary educators after a court order in April 2011, decentralisation of school nutrition to schools, re-initiating scholar transport, addressing the outstanding stationery delivery to all section 20 schools, which was only completed by July 2011. However, since 2011 SADTU in the Eastern Cape has been involved in

protest action on the failure by the government to reinstate educators and consultation on the post provisioning.

- 8.19.8.** In 2010 we reported that 62% of schools have a learner educator ratio that exceeds 30. However, this number masks variations across provinces. This situation has not changed. The Department of Basic Education in its Macro Trends Report (2011) mentions that 40% (8000 schools) have class sizes above 40 learners and 2 800 schools had an average of more than 50 children in a class. Limpopo and Mpumalanga had the highest percentage of classes that accommodate more than 40 learners (51% and 50% respectively). The overcrowding in classrooms also has a racial dimension. The average number of learners per teacher in a class is estimated to be 31 in African schools, whereas it is 24 in White schools <sup>24</sup>.
- 8.19.9.** In our Growth Path document, we stated that the education system has potential to create high quality jobs, if its upgrading and maintenance is state-driven and not tender-driven. For example, we mentioned that the extension of computer laboratories and libraries will create in excess of 80 000 direct permanent jobs for librarians and computer teachers. This does not take into account jobs created for maintenance of computers, and the fact that many schools have to be wired on the internet and must have TV's. If we reduced the learner-educator ratio to 20, from the average of 30, at least 210 000 more educators would have to be trained. This is a long-term goal. This does not include the need to build more schools, address equipment shortages, furniture shortages, expand and re-capacitate colleges and their associated support staff complement.
- 8.19.10.** One of the major achievements that we should celebrate since the 52nd Conference of the ANC is the increase in the number of no-fee schools. In 2007, 20% of people ages 5 years and above who attended education institutions did not pay fees. By 2010, this figure had increased to 55%! This is due to the increase in the number of no-fee schools. This figure has since slightly increased to 55.6% in 2011. The General Household Survey (2012) reports that "provinces with the highest proportion of non-payers were Limpopo (89.7%) and Eastern Cape (71.8%)". Another improvement that is worth mentioning is the expansion of the school feeding scheme. In 2009, 66% of learners benefitted from the feeding scheme and this number had improved to 74% in 2011. In Limpopo 95% of learners benefit from the scheme, in the Eastern Cape 85% benefit and in the Northern Cape 87% of the learners benefit from the scheme. The aspect of the Freedom Charter that education shall be free is clearly being vigorously implemented.
- 8.19.11.** However, inequalities in basic education also show themselves in terms of outcomes: 70% of matriculation passes is accounted for by 11% of the schools, which are historically White, Indian and Coloured<sup>25</sup>. The

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24 H. Borat and M. Oosthuizen. 2006. Determinants of Grade 12 Pass Rates. DPRU, University of Cape Town.

25G. Barnard. 2009. Realizing South Africa's Employment Potential. OECD Working Paper 662.

pass rate in African schools is 43%, while the pass rate in White schools is 97%. Schools with fees that are less than R20 per year have a pass rate of 44%, and those with fees that are greater than R1000 per year have a pass rate of 97%<sup>26</sup>. These figures show the close relationship between class and race inequalities in the education system. The performance of the education system of course differs from province to province. But there is a clear correlation between performance in the province and the province's socio-economic performance, more often reflecting the historical legacy of apartheid under-development.

**8.19.12.** COSATU will campaign to that workers who are the parents appreciate the critical role they can play in turning this situation around. In this regard we call on workers to stand for positions in the School Governing Bodies (SGBs), parents and learners, i.e. That SGBs will:

- Empower themselves by attending appropriate training courses to be able to comply with their fiduciary duties and responsibilities towards the respective schools and school communities;
- Provide the required support to schools and educators in a manner that will not intrude on the professional terrain of principals and educators;

Parents will –

- Register learners timeously;
- Ensure that learners will attend schools and comply with schools' codes of conduct;
- Comply with their financial obligations towards schools;
- Attend the required school functions; and
- Foster a climate of respect for education, schools and educators.

44. Learners will –

- Attend school conscientiously;
- Work studiously and continuously;
- Diligently abide by school rules at all times;
- Show the required respect to schools and educators.

**8.19.13.** As COSATU we then undertook to call a summit for the Education Alliance to provide leadership on how we can best tackle the crisis in the education system. We never got around to convening such a summit. However, we committed ourselves to engage in the "Adopt-a-School" Campaign. Some unions are doing some sterling work in this regard, especially the NUM and NUMSA. However there is a general problem in the Federation, as noted by the provincial reports. For example, in relation to the "Adopt-a-School" Campaign, the North-West reports that "there are PEC members who never get worried about their deployment, they will be

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<sup>26</sup>Servaas Van der Berg. 2007. Apartheid's Enduring Legacy: Inequalities in Education. *Journal of African Economies* 16, No.5.

replaced by those who are committed as leaders from affiliates and locals, the only school that was visited more than two times was Pomfrent due to its challenges of water, toilets, food including many other basic needs”.

**8.19.14.** The KZN Report states that: “PEC members were deployed to work on a specific area of deployment to work in their respective locals. The programme became stuck due to the verification process, which is due to the fact that SADTU contested some of the schools that were submitted as dysfunctional schools. We still continue with our annual school re-opening programmes but also we do general interaction with particular schools on the eve of exams so as to have a general fee of how ready are learners. We must appreciate the co-operation and lead by SADTU in this regard”.

**8.19.15.** The KZN report decries the crisis of quality in the education system, with a strong element of self-criticism: “The education in our country continues to deteriorate. Many of township and rural schools are being closed and the floodgates are opening in urban and former model C schools. Many of our teachers mainly led by SADTU, many of our middle class including councillors and members of parliament are not taking their learners to township and rural schools. They are opting to take them to urban and private schools paying exorbitant amounts of money a year. They are involved in the life of their own children once they have taken them to these urban schools. When meetings are called they are the first to arrive at Durban Boys High, or Crawford College, but when a meeting is called at Ohlange High School they do not even pitch up. They are not interested in the life of a learner let alone progress. Why is that? Do we have a society that no longer cares about the education of their children? What has gone wrong in our education”?

**8.19.16.** The KZN report continues to mention that: “We are aware that SADTU has a Quality Learning and Teaching Campaign (QLTC) where they are addressing all the above issues but we need the society to be part of the programme. SADTU amongst some of the interventions that are proposed in their comprehensive QLTC documents proposes that there should be a thorough campaign of bringing back the black child to the township and rural schools and at the same time addressing the issue of improvement of education in these schools so that it matches the same standards as these urban schools”. Clearly, the challenge of the education system is not reducible to one union simply because it happens to be directly located in the sector, but is a challenge that should engage each and every structure of the Federation.

**8.19.17.** In its elaboration of the Freedom Charter, the SACP’s South African Road to Freedom (1962) states that: “There must be equal opportunities for all to receive higher education and specialised technical training. However, in order to correct the legacy of colonialism, priority must be given to the training of African and other non-White specialists in every field”. In 2009 approximately 717 000 students were enrolled at higher education institutions. The General Household Survey (2010) notes that “of these students 62.2% were African; 22.1% White; 7.6% Coloured and 8.1% Asian. Even though most students are African, this specific

population group is still proportionally under-represented in comparison with the Asian and White population groups...Only 2.5% of the African and 2.8% of the Coloured population were enrolled at tertiary institutions as opposed to 11.4% of Asians/Indians and 10.8% of the White population". These figures have significant implications for the resolution of the national question in the long-term, as the Party long ago noted. These numbers have not changed significantly by 2011.

**8.19.18.** The provision of university education, though excessively dominant, remains weak in South Africa. The building of universities in Mpumalanga and Northern Cape should be sped up, with definite timelines in place. There is also a need to consider the use of existing old Bantustan Offices that are idle, so as to increase schools and sites for existing universities. In addition, there should be biased focus in establishing new commerce, science, engineering and medical faculties in the new universities so as to support broad based industrialisation and social development. Further issues for policy consideration include a) the development and use of African languages, b) need to set guidelines so as to strike a healthy balance between international students and local students in South African tertiary institutions, c) the need to debate the scaling down of private higher education providers and to end public subsidisation of private higher education institutions, d) the need to formulate a benchmark for student fees in order to deal with the current differentiated scenario, e) the design of a mechanism to ensure that students in the scarce skills areas like medicine and engineering are funded through the public purse and are contracted to the country to halt the current tide of skills flight.

**8.19.19.** Clearly, despite progress in ensuring universal access to education, there are serious problems with quality and the environment within which learning and teaching occurs. The inequalities in the continuing, if not worsening, inequalities in the education system do not point in the direction of the Freedom Charter and the RDP. For example, the RDP talks about the "need for school buildings must be addressed by vastly improving existing facilities and a school-building programme". Clearly, the current education system does not allow working people and their children to realise their full potential because of its deficiencies and deteriorating quality.

## **8.20. Access to Quality Healthcare**

**8.2.1.** The Freedom Charter states that: "A preventive health scheme shall be run by the state; free medical care and hospitalisation shall be provided for all, with special care for mothers and young children". The RDP calls for the creation of single national health system, driven by the primary health care approach. Furthermore, the entire health system is supposed to be located within the context of rising standards of living through improved wages and income-earning opportunities, improved sanitation, water supply, energy sources, and accommodation. All these provisions ensure that material conditions exist to shift the national health

system from the catastrophically expensive curative mode to the preventive mode.

8.2.2. The right to health is a fundamental human right. The UN states that all people are entitled to the highest standard of physical and mental health. The right to health represents the right to a person being able to control his or her health, and this includes sexual and reproductive health. This right is also made up of the right not to be tortured, non-consent to medical treatment and experimentation. Resolution 58.33 of 2005 progressively realises the right to health by calling for universal coverage of health care. Making this a reality means that as a country, we need to create a health financing system that is able to raise sufficient funds, and process that will bring together all the health risks for equal and efficient response. The International convention on economic, social and cultural rights also talks about the right to health, article 12 states that the right to health is related to various steps and core obligations to be undertaken by member states. These core obligations deal with the four essential elements of 'availability, accessibility, acceptability and equality' and they are:

- Access to health facilities, goods and services on a non-discriminatory basis, especially for vulnerable or marginalised groups
- Access to minimum essential food that is nutritionally adequate and safe, to ensure freedom from hunger to everyone
- Access to basic shelter, housing and sanitation, and an adequate supply of safe and potable water
- Provision of essential drugs, as defined according to the World Health Organisation's Action Programme on Essential Drugs
- Equitable distribution of all health facilities, goods and services
- Adoption and implementation of a national public health strategy and plan of action that is based on epidemiological evidence, that addresses the health concerns of the whole population, and that is devised, and periodically reviewed, in a participatory and transparent process.

8.2.3. The South African government has signed the treaty, but it still needs to ratify the treaty. Our constitution has a provision about the right to health, and includes the core obligations as stipulated above.

8.2.4. The scale of the health crisis in South Africa is still large. In 2010, we reported that maternal mortality has increased from 81 to 600 (per 100,000) between 1997 and 2005. The MDG target is 38. Child mortality has been on the decline, but remains high at 68 (per 1000 live births)<sup>27</sup>, yet a comparable country Brazil has reduced this figure from 58 in 1990 to 22 in 2007. There are 1000 AIDS-related deaths per day (and another 1,450 people becoming HIV infected each day) and 70% of the case load in the public health system is now taken up by HIV/ AIDS cases, crowding

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<sup>27</sup> See Development Indicators 2009, the Presidency.

out the capacity to treat other medical conditions. Moreover, while we seem unable to treat more than half the 800 000 needing anti-retroviral treatment, that number is going to rise to 5.5 million within five years (these are people already HIV infected who will reach full-blown AIDS).

8.2.5. COSATU notes that HIV and AIDS is one of the major challenges facing South Africa today. Of the 48 million South Africans in the last census, 5 700 000 estimated to be HIV infected (UNAIDS/WHO 2008) with a prevalence rate (15-49 yrs) of 18.1%. Most of these are women (3 200 000) in urban and rural informal environments (SA National HIV Prevalence, HIV Incidence, Behaviour Communication, Survey 2005) and 334 000 are children. South African HIV epidemic is both generalized and concentrated. The knowledge of the epidemic and modes of transmission are important to inform all interventions in a mainstreamed fashion to address both internal and external responses to HIV and AIDS.

8.2.6. It is again a known factor that South Africa is one of the 22 High Burden Countries that contribute approximately 80% of the total global burden of all TB cases, the seventh highest TB incidence in the world. Unfortunately the incidence of tuberculosis has increased during the past ten years, in parallel to the increase in the estimated prevalence of HIV in the adult population. This has resulted in increasing recognition of the problems posed to public health by TB. Generally TB control is facing major challenges. Co-infection with Mycobacterium Tuberculosis and HIV (TB/HIV), and multi-drug-resistant (MDR) and extensively drug resistant (XDR) tuberculosis in all regions, make prevention and control activities more complex and demanding.

8.2.7. Of importance to the 11th Congress is that TB and HIV infections are so connected that the term “co-epidemic” or “dual epidemic” is used to describe their relationship. TB speeds up progress of HIV and HIV speeds up the progress of TB. These two diseases represent a deadly combination, since they are more destructive together than either disease alone. Tackling HIV should therefore include tackling tuberculosis, while preventing tuberculosis should include prevention and management of HIV.

8.2.8. In terms of health insurance, almost 25% of South African households have at least one member who belongs to a medical aid, only 17% of individuals have medical aid scheme coverage and 90% of households do not belong to a medical aid scheme because they do not have money to pay for it. Only 9% of the African population belong to a medical aid scheme whilst 74% of the white population do<sup>28</sup>. This is reflected in the imbalance in terms of life expectancy. A white person born in 2009 expects to live for 71 years, whereas an African born in the same year expects to live for 48 years. This means that white people expect to live 23 years more than Africans. These facts had not changed by 2011.

8.2.9. At an institutional level, we reported that there is a disconnection between national policy and the allocation of resources, management

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28 General Household Survey, 2009.

information systems are insufficient for decision-making, and decision-making powers are generally incorrectly located (a hospital CEO doesn't meaningfully control staff, budget or procurement). Furthermore, there is under-regulation of the private health sector and over-concentration of resources in the hands of the private healthcare providers.

8.2.10. An important policy development since the 10<sup>th</sup> Congress is the formulation of the 10-Point Plan of the Department of Health, which COSATU welcomed and supported. The Plan consists of the following elements:

- Provision of strategic leadership and creation of a Social Compact for better health outcomes.
- Implementation of the National Health Insurance
- Improving the quality of Health Services.
- Overhauling the health care system and improve its management.
- Improvement of Human Resources
- Revitalisation of infrastructure
- Accelerated implementation of the HIV and Aids strategic plan and the increased focus on TB and other communicable diseases.
- Mass mobilisation for better health for the population
- Review of drug policy
- Research and Development

8.2.11. Informed by our 10<sup>th</sup> Congress resolutions, we made the following proposals to be integrated in the implementation of the Plan:

- A heavy focus on HIV and AIDS; in collaboration with the Departments of Basic and Higher Education
- Integrate Community Care Workers into the public service
- The state should lead the process of training, particularly the training of nurses and doctors and resist the incursion of the profit motive in the process
- Ensure that the Department of Health establishes a Nursing Directorate nationally and provincially to drive the implementation of the Nursing Strategy, coordinate and manage nursing services and to strengthen the South African Nursing Council to be an autonomous professional institute
- Increase the Nurse/people ratio from 4 (per 1000 people) to 8 per 1000 and the ratio of physicians to 1000 people to 1 over the short to medium term from the current 0.69, which would require at least 200 000 additional nurses and at least 15 500 additional physicians. This excludes the need to build additional clinics and hospitals.

8.2.12. The 10-Point Plan was subsequently accompanied by mass mobilisation aimed at HIV-testing, in which President Zuma took lead. A recent research report by Johns Hopkins University found that “two-

thirds of South Africans said this year that they used condoms the first time they had sex with a new partner, up from just 18% in 1992, a change the researchers attributed to both communication campaigns and the increased availability of condoms. The survey found 17,4-million South Africans or 63% of the population had taken an HIV test at some point, of which 10,2-million people were tested in the past year as part of the government's high-profile testing campaign"<sup>29</sup>.

8.2.13. Part of our proposals is the need for government to regulate the private healthcare sector. Government has since moved in this direction to initiate a process to review the fees that are charged in private healthcare facilities and by private healthcare practitioners. Government has moved to initiate a process to review the pricing of medicines. Furthermore, in March 2012, Cabinet endorsed the proposal by Departments Science and Technology, Health, Economic Development and the dti to build a plant to produce active pharmaceutical ingredients for the ARVs. The company will be called Ketlaphela (I will survive) and its shareholders will be Lonza, a Swiss company which is a global leader in the production of active pharmaceutical ingredients (30% equity), Pelchem/IDC (49% equity) and BEE (21% equity). This is a welcome move and in line with the ANC's 52nd resolution on the need for a state owned pharmaceutical company. What is however problematic is the fact that the private sector equity in the company will be 51% (Lonza and BEE) while the state equity will be 49% (Pelchem/IDC).

8.2.14. Although the establishment of a state-owned pharmaceutical company is a step in the right direction, the ownership structure of the new Ketlaphela Company is not 100% state-owned. This means that profit making will cripple the capacity of the company to provide medicines on a mass scale at affordable prices to public facilities and to the people in general. COSATU should therefore continue to call for a 100% state-owned pharmaceutical company.

8.2.15. COSATU welcomes the unambiguous reaffirmation of the cornerstone and essence of the NHI as providing access to health care as a human right and based on the principles of universal coverage for all citizens of South Africa. It is encouraging to see the inclusion of a strong focus on primary health care and the designation of hospitals in the Green Paper. Our view is that:

- The National Health Insurance Fund must be a single payer and must be publicly administered. There must be no outsourcing of administration.
- There must be no public private partnerships in the delivery of health care in the public sector
- The NHI must be funded via general revenue, payroll linked progressive contribution tax and contribution by employers. No additional levies must be made through VAT to fund the NHI.

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29 T. Kahn: Study finds HIV prevention messages getting through to South Africans. Business Day (2012/07/24).

- There should be no further investigation of a multi payer system, as it is not going to lead to universal access to health insurance.
- The creation of the NHI and the broader transformation of the health system in terms of the 10-point plan of government must be prioritised as one of the 5 priorities of the manifesto.
- We call for Treasury to release the Discussion document on the funding or financing of the NHI.
- Government with the consultation of labour and other stakeholders must develop the guidelines for monitoring and evaluation the pilots.
- COSATU must build the partnership with communities, alliance partners and civil society to monitor pilots.

8.16. Perhaps the most encouraging part on healthcare is the implementation of the NHI, which is now on a pilot stage. The report from KZN states that: “The department of health has started a pilot in a number of provinces one which is KwaZulu Natal. They want to make sure that they understand all the dynamics involved in the establishment and running of the NHI model. We are happy that KwaZulu Natal is one of the pilot provinces but we must caution against a new tendency that is emerging of scavengers who are looking for opportunities of how to make money in all sectors of the economy. They are looking for tenders of supplying whatever than is needed in the NHI. For us most of the money must go service delivery and health in particular not the service providers”. This means that we should always be vigilant that our demands are not perverted by profit-seekers, like it is happening with the state pharmaceutical company.

8.17. The KZN report further states that: “The prices of medicine must be well regulated and if necessary it must be generics that are proved and are cheap. India produces a number of generics at a very affordable price. If there is a need state to state agreements must be entered into in the manufacturing of drugs including HIV combo that is lifesaving to our people. We need to deal with the issue of medical practitioners who steal medicines from hospitals. We need to deal with HIV positive people who are mugged of their medicine in order to make a concoction of “wunga”. These are realities we need to face and resolve if we are to make NHI work. Hospital management is one of the issues that are proving to be a problem. In order to make NHI a success we need people who are competent and who know what needs to be done”. The report further cautions against the scandals of the sale of body parts and malpractice in private hospitals.

8.18. COSATU must resolve to monitor the implementation of NHI and provide an independent assessment of the strengths and weaknesses of the initiative at local level. In this context, it will be extremely important to work closely with community-based organisations that are dealing with issues of health on a daily basis. Furthermore, COSATU should call for the rapid increase in the training of a broad range of healthcare professionals, and for the resolution of the location of training of healthcare professionals between the Department of Higher

Education and Training and the Department of Health, the expansion of community-based health workers and their integration into the public health system. Neighbourhoods should have a package of public services, as outlined by the RDP, so that material conditions are in place to shift the health system towards a preventive one.

8.19. In the first quarter of 2011 the South Africa government through SANAC initiated a process to review the current National HIV and AIDS and STI Strategic Plans (2007-2011) and develop new integrated National HIV and AIDS, STI and TB Strategic Plans (2012-2016). COSATU participated and welcomes the new strategy. The provinces were expected to follow the same process. The process entails distilling the wealth of global guidance to South African context. The proposed approach for the development of the plans was to be a bottom-up with a focus on results.

8.20. The new strategic plans integrate TB. These changes reflect the fact that the environment for the HIV response in South Africa, just like in other countries, has evolved over the years calling for the cultivation of a common vision for the country for all actors to subscribe to. This vision at the moment requires a paradigm shift to reflect an urgent need for the dual HIV and TB response to be transformed into an investment where capacity development for implementation takes centre stage. In addition, intervention programmes focus on achievement of meaningful impacts such as better quality of life and longer survival. To realise the common vision there is need for strategic prioritisation and focus on high impact interventions that are supported by the current wealth of epidemiological evidence.

8.21. COSATU should note the new the NSP 2012 – 2016, which is driven by a long-term vision for the country with respect to the HIV and TB epidemics. The NSP has adapted the three zeros advocated by UNAIDS to suit the local context. The South African vision is:

- Zero new HIV and TB infections
- Zero new infections due to vertical transmission
- Zero preventable deaths associated with HIV and TB
- Zero discrimination associated with HIV, STIs and TB.

8.22. NSP has the following strategic objectives:

- Strategic Objective 1: Strategic Objective 1 (SO 1) is focused on addressing the structural, social, economic and behavioural factors that drive the HIV and TB epidemics.
- NSP Strategic Objective 2 (SO 2) is focused on primary strategies to prevent sexual and vertical transmission of HIV and STIs, and to prevent TB infection and disease, using a combination of prevention approaches.
- NSP Strategic Objective 3: The primary focus of Strategic Objective 3 (SO 3) is to achieve significant reduction in deaths and disability as a result of HIV and TB. This will be accomplished by universal access to a□ordable and good quality diagnosis, treatment and care.

- NSP Strategic Objective 4: South Africa’s response to HIV, STIs and TB is based on the understanding that the public interest is best served when the rights of those living with HIV, STIs and/or TB are respected, protected and promoted. The NSP 2012 – 2016 recognises the need to continuously assess barriers to access to services and instances of stigma and discrimination and provides the framework for addressing such issues. It aims to ensure that rights are not violated when interventions are implemented, and that discrimination on the basis of HIV and TB is not only reduced, but also ultimately eliminated.

8.23. As indicated that this new plan has more emphasis on action from all sectors, we recommend that congress adopt these objectives. A strategic implementation plan must be developed and highlight critical workplace interventions, to be presented in the November CEC 2012 for ratification. Affiliates will be expected to follow the same plan to make it easier for the federation to report back to SANAC through NEDLAC as an institution that is identified for workplace action reporting.

8.24. There is a process to review and strengthen SANAC and its structures. This process came about because there is a need to:

- Shift from policy formulation to implementation at national, provincial to district and locals;
- Strict alignment of SANAC to NSP 2012-2016
- All the SANAC committee must fit the purpose

8.25. The new NSP 2012-2016 as adopted by SANAC has direct implications for the governance of SANAC. SANAC Plenary, its different committees, the Provincial and District Councils on AIDS and the Secretariats at National, Provincial, District and Local levels are to be developed in a way that facilitates the work of implementing the new NSP in a logical manner, and fit for purpose, including defining roles and responsibility of each sector. The following structures of SANAC were proposed, discussed and adopted:

- Extended Plenary – consisting of 156 members and will meet twice per year
- Plenary – consist of 104 members and will meet four times per year.
- SANAC technical task teams as per the 4 NSP objectives
- Programme/policy Review Committee – consisting of 81 members and will determine the frequency of the meetings.
- NSP Financing Committee consisting of 15 members and will determine the frequency of the meetings.
- Global Fund Country Co-ordinating Mechanism consisting of 25 members and will determine the frequency of the meetings.
- Inter-Ministerial Committee in its current form.
- Civil Society Forum consisting of 19 sectors.

- SANAC Secretariat, structure and estimated costs of integrating and strengthening the Secretariats at Provincial, District and Local levels.
- The amendment of the Trust Deed and the processing of appointment of Trustees to the South African National AIDS Trust Board consisting of 11 members, and will determine the frequency of the meeting.

8.26. Labour must begin to nominate representatives into the structures of SANAC, and below is the recommendation:

- For extended Plenary – we need 5, Regular Plenary 5, SANAC technical task teams as per the 4 NSP objectives we need 12, Programme/policy Review Committee we need 6 members, NSP Financing Committee we need 3, Global Fund Country Co-ordinating Mechanism we need 3, Civil Society Forum we need 10,
- Provincial structures we need double the number nominate at the national structures.
- District and local we need triple the number nominated at the national.

8.27. Congress must note that COSATU made input in the new national strategic plan directed by resolutions from the previous congress resolutions. The strategic objective four will make sure that government give more emphasis to workplace stigma and discrimination, and this is further dealt with in the code of practice on HIV and AIDS in the workplace.

8.28. The Code of good practice on HIV and AIDS in the workplace has been reviewed and COSATU have made inputs. Again our inputs were directed by the previous congress resolutions. Our main objection to the code has been over the years that even if the Code is not necessarily legally binding, certain (if not most) aspects fall in line with the Employment Equity Act, Occupational Health and Safety Act and the Labour Relations Act. Therefore, most of the provisions in the Code are legally binding if read in conjunction with the relevant pieces of legislation. However, the fragmented nature of legislation when dealing with HIV and AIDS related cases makes enforcement difficult and Labour is calling for harmonization of the different laws into a single piece of legislation on HIV and AIDS in the workplace. In addition promulgation of an HIV and AIDS specific legislation is an indicator of the seriousness of government, employers and employees' organisations to address challenges created by HIV and AIDS in the workplace.

8.29. We have developed HIV and AIDS workplace policy, however due to co-infection of HIV and TB, and the integration of STI all the existing workplace policies must be reviewed.

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## 9. Access to Basic Goods

- 9.1. The Freedom Charter states that: “All people shall have the right to live where they choose, be decently housed, and to bring up their families in comfort and security; Unused housing space to be made available to the people”. It furthermore states that “slums shall be demolished, and new suburbs built where all have transport, roads, lighting, playing fields, creches and social centres”. How far have we advanced in realizing these demands?
- 9.2. In terms of water and sanitation, the General Household Survey (2009) notes that the “percentage of households who receive piped water supplies from their local municipalities increased from 74,5% in 2007 to 83,3% in 2009”. The survey further reports that an estimated 50% of households do not pay for piped water. This is an important advance for the working class. Households without a toilet or who use the bucket system declined from 8% to 6% between 2007 and 2010. Over the same period households whose refuse removal is by a municipality declines from 62% to 57%.
- 9.3. While these advances must indeed be acknowledged, it is important for COSATU to begin interrogating the class character of these service delivery gains. Many argue that these add significantly to the so-called social wage and are thus redistributive, but a proper Marxist analysis would reveal that, in the context where the rate of exploitation is rising, so-called service delivery is nothing but the transfer of value from the employed section of the working class to the unemployed part. As Marx put it, the bourgeoisie have so designed the system such that the burden of the reserve army is shouldered by the employed section of the working class.
- 9.4. This explains the ad hoc and haphazard manner in which these services are made available to the people, especially the enforcement of cost-recovery (pre-paid meters) in the context of rising rates of exploitation, high unemployment and poverty. This policy has led to 1.3 million households, which account for almost 5 million people, experiencing water cut-offs due to non-payment in 2006. Consequently, as we speak, community protests over basic services have mushroomed. The country experiences on average, 10 community protests over service delivery per day. The quantity of free basic services such as water has proven inadequate given the size of an average working class household in South Africa.
- 9.5. The North West report to the 11<sup>th</sup> Congress states that: “In Ngaka Modiri Molema alone two municipalities have been struggling with water for the past five years while funds have been diverted to other projects like high mast lights, sports development in Brazil and others. We need to intensify these campaigns especially at local levels and on basic issues like water, sanitation, housing, electricity, health, roads and others, *just between April and end of May 2012 we had over 16 protest on service delivery*, this must a worrying factor for the ANC and its alliance towards the national elections”. Some in our movement dismiss these as results of in fighting within our ranks, we beg to differ!

They are expressions of a system that is cracking under the intolerable conditions that it generates.

- 9.6. While the country is water scarce, there is serious challenge of water pollution particularly by industry. There is also poor management and failure to maintain the water infrastructure. Climate change is also impacting negatively on the already precarious water situation in the country. The country has an average of 500mm of annual rainfall and 21% of the country is said to be receiving less than 200mm per annum. Since 1994, the percentage of households who have access to piped or tap water has since increased to 89%. However, an increasing number of water service users have serious complaints about the quality of the service. While in 2005 and 2007, 76% and 72% respectively, of water users were satisfied about the quality of water related services, only 58.8% was satisfied in 2009. People complain that the water they get is *“not clean, clear, good in taste or free from bad smells”*.<sup>30</sup>
- 9.7. In 2010, we noted the rising problem of acid mine drainage in our Growth Path document, a warning which was not heeded. This flow of acidic water from an abandoned mine, is another form of water pollution compounding the country’s water problems. As the gold mining industry is in decline and most mines are no longer operational, the country’s mining towns and cities are facing a serious challenge of AMD. The Centre for Scientific and Industrial Research (CSIR) warns that AMD is an enormous threat particularly in the Witwatersrand Goldfield, and the situation could become worse if remedial actions are delayed or not implemented urgently. Abandoned mines in Krugersdorp on the West Rand, Randfontein and the Wonderfontein Spruit are also said to be releasing acid water and polluting water resources. AMD from coal mining is affecting the Highveld Coalfield in Mpumalanga, and has polluted the Loskop Dam and the Olifants River Catchment.
- 9.8. For the country to have reliable supply of water to meet both social and economic needs there is a need to invest in abstraction, treatment, storage and distribution infrastructure. In keeping with the COSATU call that the polluter must pay, the former owners of the abandoned mines must be tracked and be made to pay. They must also contribute in measures to prevent the pollution of water resources by the AMD. The ageing municipality infrastructure is regarded as one of the key causes of water losses. The problem does not only involve the extension of water services but affordability as well. Just like in the case of electricity, the water boards use the cost-reflectivity principle in relation to pricing policy.
- 9.9. COSATU has filed a NEDLAC Section 77 Notice, together with FEDUSA, NEDLAC to force a serious discussion on the looming crisis in the water sector and the engagements in this regards are ongoing.

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30 StatsSA General Household Survey, 2009

9.10. In relation to housing, the RDP set out the principles that should guide housing delivery as follows:

- As a minimum, all housing must provide protection from weather, a durable structure, and reasonable living space and privacy
- A house must include sanitary facilities, storm-water drainage, a household energy supply (whether linked to grid electricity supply or derived from other sources, such as solar energy)
- Convenient access to clean water
- Moreover, it must provide for secure tenure in a variety of forms. Upgrading of existing housing must be accomplished with these minimum standards in mind.

9.11. In 2010, we reported that there has been progress in the provision of housing since 1994; 74% of South African households live in brick structures, flats and townhouses. Nevertheless there remain 15% of households who live in shacks, which amounts to 1.875 million households, which is equivalent to 7.5 million people. Despite the progress that has been made in the provision of decent human settlements, the quality of housing remains a major challenge; 46% of South African households live in dwellings with no more than 3 rooms, 17% of households live in 1-room dwellings. Among Africans 55% live in dwellings with less than 3 rooms and 21% live in 1-room dwellings, whereas at least 50% of White households lives in dwellings with no less than 4 rooms. These disparities in the conditions of living are a direct consequence of the legacy of apartheid, and the accumulation path that underpins it.

9.12. It is therefore quite anomalous that the brick structures that have been built since 1994 to accommodate the working class are called “RDP houses”, even when it is palpably obvious that these brick structures are nothing like structures described in the RDP and the Freedom Charter! The RDP is clear about the basic minimum standards that must be adhered to when it comes to housing provision. In addition, nobody can really claim that the overwhelming majority of the houses that have been built reflect the environment that is envisioned in the Freedom Charter, where there are decent roads, lighting, crèches, playing fields and even places of worship. The space provided by so-called “RDP houses” is intolerable. Places where the so-called “RDP houses” have been built have turned out to be “mines of misery”, to use Marx’s words. There is no denying that there is overcrowding in the housing of the working class, especially in urban areas. Marx had this to say about the housing of the working class in England: “In its higher degrees overcrowding necessarily involves such negation of delicacy, such unclean confusion of bodies and bodily functions, such exposure of animal and sexual nakedness, as is rather bestial than human. To be subject to these influences is a degradation, which must become deeper and deeper for those on whom it continues to work. The children are born under its curse, it must often be a very baptism into infamy”.

- 9.13. It is estimated by the Minister of Human Settlements in 2010 that 50 000 houses had to be rebuilt because of poor workmanship. This amounts to R1 billion. At a wage of R3 000, this money could have created 5 555 public sector jobs that would last for a period of 5 years, lifting an estimated 20 000 South African out of poverty. Tenders, the collusion of monopolies that produce inputs into housing and sheer corruption are responsible for much of the mess in housing. But it all goes back to the class character of service delivery, which class controls and owns the means of production by which these services are produced, and how is the service delivery financed? These are key questions that the working class has to now confront. That is why we called for a state construction company, to be linked with state cement and nationalised steel making, to deliver quality infrastructure to the people.
- 9.14. Another issue that is of interest to the working class is public transport. COSATU has yet to launch a systematic campaign for a safe, reliable and affordable public transport that is built in such a way as to increase the capacity of our country to industrialise. The working class is still reliant on the taxi system, although BRT has been introduced in selected metros. However, the problem with the latter system is, once again, tenders. This has been demonstrated in the case of Durban. The KZN report states that: "Since the eThekweni Durban Transport debacle we have seen and witnessed a complete collapse of the bus transport system in the province, particular reference will be Eshowe and Port Shepstone. We have engaged the DOT – KZN on this matter but also raised same within the Alliance structures. The issue of subsidies for bus companies has created havoc as some just pocket the money and then push themselves to self-liquidation, which leaves workers unemployed and unpaid, disrupt schooling as learners and teachers remain stranded but also workers becoming victims of ruthless employers as they arrive late for work. We have agreed that there has to be an Alliance public transport Indaba in the province so as to find a lasting solution on this matter. Discussions have also taken place between ourselves and the taxi industry on how best can this industry play its role as a reliable, safe and compliant mode of public transport including driver conduct. This is work in progress though including issues of them being in conflict and or victim of the law or its abuse". Tenders!
- 9.15. In relation to attempted and actual privatization of public roads, we have kicked into action as a result of e-tolls, which drew the ire of the working class and broad sections of society. The KZN report states that: "KZN is the leading province in terms of road tolling which therefore makes us an expensive province for tourism. We have managed to wage a strong anti-tolling campaigning with fruitful results but we continue to be provoked. Those who are greedy and want to maximise profit accumulation by tolling the roads of this province so far have failed. We were told of the need to toll the road between Richards Bay, Empangeni – eSikhawini and we resisted with success then it became Cato Ridge, we objected then Isipingo a big no was the

overwhelming answer of which later on it was Amanzimtoti and we are still adamant that there is absolutely no need for an extra toll gate in the province.

- 9.16. In North West, the anti-tolling campaign “started in 2011 after the central committee and after we were able to launch a local in Swartruggens. The campaign first activity was on the 15 December 2011 when we picketed at the tollgate and handed out flyers to motorists to highlight our campaign. So far we had about six activities at the tollgate but it seems as if the authorities are not willing to move on our demands. What we have learned is that the company charges motorists for 190 kilometres of usage irrespective of where the motorist destination is. Internally we have observed very little support from the members of the PEC as most of them do not attend the activities at the toll gate”.
- 9.17. Despite resolutions adopted at successive COSATU Congresses, we have not succeeded in building a mass campaign for improved public transport, except in the Western Cape, where the province has run a consistent campaign for improved service by Metrorail. This campaign has included litigation on over-crowding and open doors, as well as direct negotiations with Metrorail. There is currently no national mass voice for commuters. We are ideally placed to provide this, as most commuters are workers.
- 9.18. The current state of public transport demands that we urgently implement our standing decision to lead such a national campaign. The commitments made by government to reduce greenhouse gases, and COSATU’s own commitments in this area, make the campaign all the more urgent. Expansion of mass public transport, particularly buses and trains, could help significantly reduce the emissions produced by private single occupancy vehicles, and could at the same time create large numbers of new jobs, in transport operating, and infrastructure as well as manufacture.
- 9.19. Another reason for urgency is that it has become increasingly clear that the national Department of Transport is paralysed by its loyalty to various competing operating “stakeholders”, as well as by Treasury’s tight fist. COSATU’s engagement with government on public transport via the Nedlac Development Chamber has yielded nothing except a talking Summit in 2010, as well as a successful intervention to stop a crisis in the provision of bus services created by the withholding of bus subsidy payments to Provinces by Treasury in 2010. Public pressure is required to move government at all levels from talking to action on public transport.
- 9.20. The place to start in building a worker campaign for expanded and improved public transport is in our COSATU locals. Shop stewards in the locals should identify local problems, and then target the relevant authorities and operators for both protest and negotiation. Provincial leadership structures should provide guidelines and coordination of local activities. The COSATU National Campaigns Committee will need

to receive reports from Provinces, and to provide backup information and media.

9.21. The issues to be highlighted in the campaign include, but will not be limited to, the following: -

- Approval by Provincial Governments of new subsidised bus routes (no new routes have been approved for over 10 years)
- An end to the privatisation and fragmentation of bus services – including the current attempts by the Johannesburg Metro to break up its service in readiness for privatisation
- Appeals to the Rail Safety Regulator to enforce adherence by Metrorail to safety requirements, including keeping coach doors closed when the train is moving
- An end to overcrowding of all public transport through the provision of additional services and the negotiation of flexible and staggered working times
- The provision of proper public transport infrastructure by Provinces and local authorities (bus shelters, taxi stops, safe and well-lit walkways for pedestrians on their way to and from public transport etc)
- Enforcement of safety and employment laws in the taxi industry
- In the absence of sufficient safe, affordable and accessible public transport, absolutely no tolling of urban freeways
- The Campaigns Committee and Provinces should report progress on this campaign to the first CEC of 2013.

9.22. Clearly the working class is angry; an average of 10 service delivery protests a day, and in one locality 16 delivery protests in one month! The Freedom Charter demands the elimination of slums and the building decent, comfortable houses, but now 7.5 million South Africans are living in slums. The majority of houses that were built are nowhere near the minimum standards set by the RDP. Let us not forget Marx and Engels's words: "people cannot be liberated as long as they are unable to obtain food and drink, housing and clothing *in adequate quality and quantity*". Let us also not forget what Engels said: "Democracy would be quite useless to the proletariat if it were not immediately utilised as a means of accomplishing further measures directly attacking private ownership and securing the existence of the proletariat". We will never be liberated unless we achieve the comfort that is promised by the Freedom, unless we uproot the conditions that make us to have hands that are trembling with starvation.

## 10. People With Disabilities

10.1. The Freedom Charter states that: "The aged, the orphans, the disabled and the sick shall be cared for by the state". In 2009, three million South Africans reported having a disability. This is 7.9% of the

population. Of these 6.28%, or 1.8 million persons, are 20 years and older<sup>31</sup>.

- 10.2. A number of legal instruments, starting with Section 9 of the South African Constitution, in theory protect people with disabilities from discrimination. The Promotion of Equality and Prevention of Unfair Discrimination Act, 4 of 2000 (PEPUDA) outlaws acts and practices that promote inequalities and/or unfair discrimination.
- 10.3. In developing countries, 80% to 90% of persons with disabilities of working age are unemployed, whereas in industrialized countries the figure is between 50% and 70%.<sup>32</sup> Accurate disability employment and unemployment figures for South Africa are not known due to the under-reporting by employees and employers in terms of the Employment Equity Act. However it is estimated that people with disabilities constitute less than 1% of the workforce.
- 10.4. The Employment Equity Act of 1998 outlaws all forms of workplace discrimination, including discrimination on the basis of disability. The Act also requires all workplaces of over 50 employees to develop an annual EE Plan, through consultation. The target for employment of people with disabilities that is most commonly written into workplace Employment Equity Plans is 2%. However relative to our current population of employable people with disabilities, 5% of our national workforce should be people with disabilities. In any event, the 2% target has been reached by very few workplaces.
- 10.5. Employment of people with disabilities is also governed by the Department of Labour's Code of Good Practice on Key Aspects of Disability in the Workplace. The Code states that an employer is obligated to provide reasonable accommodation when an applicant or employee voluntarily discloses a disability or when such a need is reasonably self-evident to the employer. "Reasonable accommodation" means making modifications to the way the job is performed to make it possible for a person with disabilities to perform. The modifications must be operationally budgeted for.
- 10.6. Despite all the legal instruments that are in place, as well as an Integrated National Disability Strategy that was published by government in 1997, we are a long way off achieving social or employment equity for people with disabilities in our country. Buildings and public transport remain largely inaccessible, job applicants with disabilities face discrimination, those in employment find that the reasonable accommodation that is supposed to be in place doesn't exist, social welfare support is limited, and prejudice and abuse of people with disabilities is rife in our communities.

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31 Stats SA Household Survey 2009

32 *Disabled still face hurdles in job market*, *The Washington Times*, 5 December 2005

10.7. In 2010 the Department for Women, Children and Persons with Disabilities announced its intention to develop a National Disability Policy to address the shortfalls in achieving equity. The matter was referred to the Nedlac Development Chamber, which set up a task team in October 2011. Progress has however been extremely slow, largely due to government's unavailability for a series of meetings.

10.8. Key issues included in COSATU's initial response to the draft Policy are: -

- While recognising that disability is an issue which cuts across sectors such as health, social development, labour, basic education, higher education, housing and human settlements, and local government, it must be clear which government department is the ultimate custodian of the policy implementation
- Road crashes must be recognised as a major cause of disabling injuries
- The special needs of people with disabilities who are also HIV positive must be recognised and catered for financially
- The law should provide for zero tolerance of abuse of people with disabilities
- Foster grants for people who care for children with disabilities should be continued beyond the age of 18 i.e. into adulthood
- Special provision should be made for funding the tertiary education of youngsters whose parents have disabilities
- Public education on the rights of people with disabilities must be stepped up
- Accessibility of all health care facilities must be prioritised, and all staff should be subject to training on health and human rights
- The number of therapists (physiotherapists, speech therapists, psychotherapists etc) in our public health system must be drastically increased
- The responsibility for the health care of people with disabilities falls heavily on Community Health Care Workers, who need more training and support. People with disabilities should be targeted for recruitment into community health care, and a specialist category of rehabilitative care worker should be introduced.
- The Department of Trade and Industry should investigate the feasibility of promoting local production of affordable assistive devices
- Public Transport operators, as well as local authorities who provide public transport infrastructure, must be required to vigilantly adhere to policy and law regarding accessible public transport
- A comprehensive social security grant system must be developed which takes account of the special needs of people with chronic illnesses, quadriplegics and paraplegics, and elderly people with disabilities.
- The Department of Labour must step up its monitoring of the implementation of the EE Act, particularly in regard to workers with disabilities.

- All new houses built by government should be planned and built so that they are accessible for people with disabilities, and grants for alterations should be provided for those already living in inaccessible government built houses
- COSATU's work on disability issues is currently only at the level of Nedlac. We will never achieve the equity we are looking for if we do not build structures of engagement and support within the Federation. COSATU must consider establishing a Forum for Workers with Disabilities.
- Migration and the struggle against xenophobia.

**10.9.** Many countries are undergoing reviews of immigration policies. The pressures of globalisation and global warming (resulting in migration forced by climate change – drought, changing flood-lines etc) have meant that existing policies and systems are under strain and not in touch with reality. South Africa is no exception, with the Department of Home Affairs currently working on developing a new Immigration policy to update the current policy as expressed over ten years ago in the White Paper on International Migration. The department has made a preliminary presentation to Nedlac, but has not yet tabled a draft policy for consultation. This is expected by the end of 2012, so it is important for us to start thinking seriously about our approach.

**10.10.** Immigration into South Africa is nothing new. The South African economy was built not only by nationals but also through the hard labour and sacrifice of foreign nationals. They have also contributed hugely to the cultural diversity of our nation. The ongoing high levels of unemployment and poor performing economies of the SADC Region continue to drive immigration. This provides South Africa with both opportunities and threats that need to be managed strategically.

**10.11.** *Labour legislation and regulation enforcements:* We have a de facto two-tier labour market with South African workers at or above minimum standards whilst non national workers are often employed on conditions below these, especially in sectors with lower rates of unionisation. This is a factor that drives the scourge of xenophobia, with South Africans resenting the perceived unfair access to employment that non nationals have. First and foremost therefore, our immigration policies should enable and support more effective enforcement of labour legislation and collective bargaining rights that guarantees equal wages and working conditions for South African and non national migrant workers.

**10.12.** *Corruption in the system:* Despite the many improvements that have been made in the functioning of the Department of Home Affairs, including the speeding up of issuing of IDs and passports, bribery and corruption are still rife, including in the immigration sphere. There is therefore a need to take forward our public service ethos campaign, to deal with corruption in the public sector. Corruption Watch also has a critical role to play in this regard.

**10.13.** *Other more general issues:* Other issues for us to consider include: -

- An Africa/SADC reconstruction and development programme

- Broadening bilateral agreements with neighbouring countries to expand skills sharing
- Mechanisms for holding employers accountability for verifying their labour force (could include sanctions and incentives)
- Need to ensure a broader focus on migrants, not just those with jobs, but those employed in the informal economy e.g. small business owners, self employed workers, etc.
- New legislation governing the granting of tenders to foreign companies and the promotion of local employment
- Building the capacity of government to enforce immigration laws and policies
- Enforce regulation of immigration effectively by securing our documents and our borders, and ensuring compliance and law enforcement
- South African government to assist and support other countries in the development of systems, including for example border management and passport systems, developing a population register.
- Further engagement with Government on the special dispensation permits for Zimbabweans, including interrogating the reasons for restricting the permits to Zimbabwean nationals.

10.14. We have recognised however that changes in migration policy, enforcement of labour legislation, and improvements in the functioning of the Department of Home Affairs will not go the whole way to do away with xenophobia. Since the horrific xenophobic attacks of 2008, there have been a number of threats of resurgence in xenophobic violence. In 2010, prior to the World Cup, when there was a serious threat, some of our Provinces and affiliates joined hands with civil society organisations to intervene to prevent such attacks.

10.15. COSATU together with UNHCR convened a Public Seminar against xenophobia in Johannesburg in September 2010. Workers, activists, professionals, researchers, community networks, international organisations and broader civil society forces came together to deepen their understanding of the crisis of xenophobia, and to develop a concrete programme of action to unite all workers and popular forces into action against the scourge. A declaration was adopted at the conclusion of the seminar.

10.16. In 2011 COSATU, supported by the British High Commission, followed up the national public seminar with provincial workshops. These were convened in Gauteng, KZN, Western Cape and East London and there are plans to continue in other provinces. Each workshop concluded with the adoption and signing of the declaration under the theme: "Working class solidarity knows no borders".

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## 11. The Environment and Climate Change

- 11.1. Climate change constitutes some of the biggest challenges and dangers to the worlds poorest and to the more than millions of people that are suffering from hunger every day as well as to the many millions that stand to be displaced because of recurring natural disasters, flooding and drought; many of whom are women. If action is not taken, the possibilities for attaining the Millennium Development Goals and achieving sustainable development objectives will be seriously hampered.
- 11.2. International trade union movement and civil society organisations have tried to connect the economic and social dimensions of development to the environmental discussions. However, the climate change debate and negotiations have tended to be dominated by environment and energy specialists. Employment, growth and income generation, poverty reduction and better health are often secondary to the discussion rather than recognised as essential for sustainable development.
- 11.3. Developed countries have contributed 75% of the global emissions accumulative Green House Gases emission with 20% of the world population. Development itself is the great contribution in addressing climate change. Currently there are 180 million people experiencing food shortages and it is predicted to be 660 million by 2080.
- 11.4. Developing countries have historically contributed the least to emissions causing climate change but stand to suffer most because they are the most vulnerable and least able to adapt, particularly populated areas like the Asian mega-deltas, small island States and sub-Saharan Africa. The economic sectors most dependent on weather such as agriculture and tourism are likely to be the most affected.
- 11.5. Copenhagen accord (CoP 15), which was disappointing to trade unions – extended negotiations. The “CA” is a voluntary agreement by some Governments including South Africa, and has the following commitments:
- **An objective of 2 degrees Celsius as the maximum temperature increase (but pledges indicate a 3.5C increase)**
  - **\$30 billion for developing countries for the period 2010–2012**
  - **Call for innovative ways to gather \$100 billion a year 2020**
  - **Create a technology mechanism (outside the UNFCCC)**
- 11.6. South Africa pledged to the United Nations (UN) in 2009 that it will reduce its greenhouse gases emissions by at least 34%, from “business as usual” trajectory, between then and 2020 and by 42% by 2025. Obviously these pledges are conditional on the country receiving aid from developed countries. We believe South Africa has a right to develop using its own resources and need to reduce carbon footprint during development and not only rely on the foreign aid.
- 11.7. What happened in Cancun (COP 16)? The following are our conclusions:

- **The outcome had mixed reaction**
- **The issues of 'Just transition' and 'decent work' were put on the final text.**
- **Cancun official outcome postponed a decision on post-2012 legally binding framework for climate change.**
- **Cancun confirms government willingness to limitation to below 2 degrees**
- **Created a green climate fund, adaptation framework and the committee to follow this issues.**

11.8. The outcomes of COP 17 are summarized by the so-called Durban platform, which is the name of all agreements reached at COP17, and includes three main elements: the confirmation of the second Kyoto commitment period, with fewer countries and without firm objectives, an agreement to launch the Green Climate Fund and a roadmap for the new legal agreement.

11.9. In Durban a legal instrument was agreed upon that lacks commitments that is too unbalanced and comes sadly too late. This mechanism distances us from global justice and from the path of emissions reduction recommended by science. A forum and work programme on unintended consequences of climate change actions and policies were established.

11.10. Under the Kyoto Protocol's Clean Development Mechanism, governments adopted procedures to allow carbon-capture and storage projects. These guidelines will be reviewed every five years to ensure environmental integrity. Governments agreed to develop a new market-based mechanism to assist developed countries in meeting part of their targets or commitments under the Convention. Details of this will be taken forward in 2012.

11.11. There was a delay by all actors in this process, which lead to unfairness, in particular to those who need to cope with the impacts of climate change and are already living on the edge of exclusion. There is a need for a fuller debate on how we deepen and broaden our efforts to achieve sustainability, which of course include fighting climate change.

11.12. There is a little progress on the global deal to tackle climate change:

- In Copenhagen were promised \$100 billion by 2020 will be set up to help the poor countries to adapt and mitigate climate change. There are only pledges in some countries and it is not clear how are they going to collect and distribute the money.
- The Green Climate Fund has no money and the plans to expand destructive carbon trading move ahead.
- The new deal is going to be implemented by 2020 and it leaves a gap of no ambitious legal binding agreement until 2020.

- Developed nations have reneged on their promises, weakened the rules on climate action and strengthened those that allow their corporations to profit from the climate crisis.
  - The Kyoto Protocol, the only legally binding framework for emissions reductions, remains in name only, and the ambition for those emissions cuts remains terrifyingly low.
  - To have the next COP 18 in Qatar its shame as Qatar does not respect the worker's rights.
- 11.13. COP 17 created the opportunities to educate our members on the issues of climate change and at the certain extend raise the profile of climate change. Therefore we need education and does awareness campaign on climate change. The climate change campaign must build up on the momentum that was displayed during the Global Day of Action with the social movement therefore we need a joint campaign between COSATU and civil society. Our campaign will need to relate on the day to day issues affecting our members like; food security, water, energy, health and safety at the workplace, air quality, etc.
- 11.14. South Africa is amongst the world's worst polluters of the atmosphere, in terms of greenhouse gas emissions per capita and per unit of GDP, but is also a global leader in international negotiations for an effective multilateral regime to limit global warming. South Africa has an internationally renowned Constitution, which includes the right to an environment that is not harmful to human health and is experiencing accelerating economic growth, yet has the highest rate of inequality in the world about 25% of the population not having access to electricity and respiratory illness the second largest cause of infant mortality.
- 11.15. COSATU established the CEC Climate Change committee, which work closely with the NALEDI reference group on climate change. This has help COSATU to engage more on the issues of climate change including responding to Green paper, white paper, carbon tax engagement and COP 17. COSATU has also been involved in NEDLAC negotiations on South African Response on Climate Change Green paper, which was finalised in 2011 and culminated to the development of White paper, which is government policy on climate change.
- 11.16. Since the 10<sup>th</sup> Congress, COSATU developed a climate change policy framework which based on the 15 principles:
- Capitalist accumulation has been the underlying cause of excessive greenhouse gas emissions, and therefore global warming and climate change.
  - A new low carbon development path is needed which addresses the need for decent jobs and the elimination of unemployment
  - Food insecurity must be urgently addressed
  - All South Africans have the right to clean, safe and affordable energy

- All South Africans have the right to clean water
- We need a massive ramping up of public transport in South Africa
- The impacts of climate change on health must be understood and dealt with in the context of the demand for universal access to health
- A just transition to a low-carbon and climate resilient economy is required
- We need a carbon budget for South Africa
- African solidarity is imperative
- An ambitious legally binding international agreement designed to limit temperature increases to a maximum of 1.5 degrees is essential as an outcome of the UNFCCC process
- We reject market mechanisms to reduce carbon emissions
- Developed countries must pay for their climate debt and the Green Climate Fund must be accountable
- We need investment in technology, and technology transfers to developing countries must not be fettered by intellectual property rights
- The South African government's position in the UNFCCC processes must properly represent the interests of the people.

11.17. We support policy instrument as outline in the National Climate Change Response Policy White paper which leading and supporting national mitigation efforts. We support the waste management hierarchy, which promotes recycling, reuse and recovery (3R's) of waste. Although the national Policy on Free basic Refuse Removal estimate 90% urban household using the basic service levels only 47% of rural households have access to waste services. The government needs to speedily improve access to waste services in rural household.

11.18. COSATU 10<sup>th</sup> National Congress calls on government to invest in new green technologies in order to create new kinds of skills and jobs whilst reducing the carbon footprint. This will include the development of policy in consultation with stakeholders for construction and energy and water efficiency buildings, infrastructure and transport system.

11.19. COSATU adopted the 'just transition' concept for climate change negotiations. The basic demands of a just transition are: -

- Investment in environmentally friendly activities that create decent jobs that are paid at living wages, that meet standards of health and safety, that promote gender equity, and that are secure
- The putting in place of comprehensive social protections (pensions, unemployment insurance etc) in order to protect the most vulnerable
- The conducting of research into the impacts of climate change on employment and livelihoods in order to better inform social policies

- Skills development and retraining of workers to ensure that they can be part of the new low-carbon development model.

## 12. **Building a Democratic Developmental State**

### 47.

#### 12.1. **The State of the State**

### 48.

12.1.1. Our review of building a developmental state is informed by our perspective that a developmental state should be interventionist, should be directly involved in the production of strategic commodities, and must own critical sectors of the economy. The 52<sup>nd</sup> Conference of the ANC has provided clear guidelines, which outline critical interventions that are required to build such a state. In this report, we highlight seven interventions and assess the extent to which building a democratic developmental state is being carried out. These are:

- The creation of an institutional centre for government-wide economic planning
- Establishment of uniform and high entrance requirements and standards of employment in the public service
- Building the technical capacity of the state to lead the development of dynamic and globally integrated economic sectors
- Maintenance of the strategic role of the state in shaping the key sectors of the economy; transformation of the economic structure
- Strengthen the role of state-owned enterprise; ensure that they respond to a clearly defined public mandate and act in terms of our overarching industrial policy and economic transformation objectives
- Building and strengthening development finance institutions; ensure that they effectively channel financial and institutional resources towards our economic transformation objectives
- Building the capacity of the state to mobilise the people as a whole, especially the poor, to act as their own liberators through participatory and representative democracy.

12.1.2. The first intervention is the creation of an institutional centre for government-wide economic planning. After the 52<sup>nd</sup> Conference, a National Planning Commission was set up. The work of the NPC will have to influence, and in turn be influenced, by work done in all spheres of government. Besides formulating a 15-year national vision for society, the NPC will have to formulate a national plan on how to achieve such a vision, in line with the objectives of our economic transformation programme. We also expect the NPC to produce thematic papers on critical aspects of social and economic development and to produce, on an annual basis, a series of

comprehensive reports that cut across a number of areas that are subjects of our entire transformation programme.

12.1.3. As part of strengthening the state's capacity for co-ordination of economic policies, the Economic Development Department has been established. Its role is to co-ordinate economic development policies across all spheres of government, ensure that micro and macroeconomic policies are aligned, and that our economy moves towards a growth and development path that achieves decent work, deals with social and economic inequalities, is environmentally sustainable, changes the structures of production and ownership and meet basic needs. In this connection, the Economic Development Department is to provide a critical link between the overarching, long-term development planning of the NPC and the short to medium-term economic planning function that is being performed within the state apparatus.

12.1.4. So far, however, there has been limited interaction between the NPC and the EDD. This raises questions about the degree of co-ordination of policy and implementation that is currently taking place. The roles of the EDD and the NPC in relation to economic planning remain un-clarified. It therefore remains to be seen how the national development plan of the NPC will relate to the New Growth Path document of government; whether the New Growth Path document will constitute the economic plan of the NPC's 2025 vision or whether the NPC will develop another economic plan for the country. It should be noted that the New Growth Path document of government sets 10-year targets, whilst the NPC operates on a 15-year horizon. These two planning horizons are not significantly different, which means that there is a need to interrogate the relationship between the two structures in relation to the economic planning function.

12.1.5. The problems we see in the relationship between the NPC and the EDD are symptomatic of a bigger political problem. The working class has to take a step back and ask the question: what is the balance of class forces in the new structure of the state bureaucracy? The capitalist state apparatus, whilst it is essentially a bourgeois institution, is nevertheless contested even within the parameters of capitalist relations of production.

12.1.6. In terms of resourcing, it is not clear how the NPC is resourced, its budget is not yet finalized and its key programmes have yet to be tabled before the public. At its current state, the NPC cannot be regarded as a suitable centre for government-wide economic planning because of its skeletal structure and its limited interaction with departments across all spheres of government. On the other hand, departments have already formulated strategic plans for the rest of the term, which have serious long-term implications for the country. This further complicates the planning function of the NPC. The primary link between the NPC and the state is through Cabinet. It is however not clear how the recommendations of the NPC and the strategic plans of departments will dovetail.

12.1.7. In terms of the technical capacity of the state, major challenges remain. In the DBSA Infrastructure Barometer Report (2008), it is mentioned that 83 district municipalities employed no civil engineering professionals in 2005; they are expected to have at least two. Estimates show that the state requires:

- 4000 contract managers, supervisors and foremen
- 4000 project managers
- Between 3000 and 6000 civil engineers
- 1500 other built environment professionals
- 32 000 artisans

As will be shown below, there is no progress in relation to resolving these problems. An overwhelming majority of departments do not have Human Resource Development Plans.

12.1.8. The second intervention in building a developmental state is to establish uniform and high entrance requirements and standards of employment in the public service. The Human Resource Management and Development programme of the Department of public service and Administration talks about a Human Resource Development Strategy that has been aligned to the National Skills Development Strategy whose aim is, among others, to “establish competencies that are critical for service delivery in the public service”<sup>33</sup>.

12.1.9. However, these competencies are not mentioned in the Strategic Plan 2010—2014, neither are they mentioned in the annual reports. Whilst the strategic plan sets out clear outputs and indicators for the Human Resource Development and Management Programme, none of the outputs mention the establishment of “uniform and high entrance requirements and standards of employment in the public service”<sup>34</sup>.

12.1.10. Instead, the Minister of Public Service and Administration has noted that he will launch a Public Service Charter that will consolidate eight attributes of a public servant which are: a) nine commitments of a public servant to the people of South Africa; b) seven rules of engagement for public servants; c) twelve commitments of a public servant to the Public Service; and d) five ethical principles of a public cadre. Whilst this may go some way in improving the quality of the public service, it does not speak to “uniform and high entrance requirements and standards of employment in the public service”.

12.1.11. Furthermore, in relation to entry into public service the strategic outcome flowing from the Medium-Term Strategic Framework is “to ensure effective employment entry into public service and HRD/cadre

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33 See <http://www.dpsa.gov.za/about.asp>. The website information seems to be outdated because it refers to the profile of the public service in 2001.

34 See the Department of Public Service and Administration Strategic Plan 2010-2014, and Annual Report 2009/10.

development”. The DPSA has embarked on training and internships to prepare prospective public servants for the public service, but there is no mention of establishing “uniform and high entrance requirements and standards of employment in the public service”.

12.1.12. The third element of building a developmental state is to build the technical capacity of the state to lead the development of dynamic and globally integrated economic sectors. The 2010 report by the Public Service Commission paints a very bleak picture in relation to the implementation of this element. In its 2010 report, the Commission found “widespread disregard of elementary processes such as compiling job descriptions, conducting job evaluations and obtaining approval of job adverts prior to their placement in the media. These procedural omissions undermine the credibility of the selection process and open the Public Service up to legal challenges by disgruntled applicants”<sup>35</sup>. The Commission further noted that “in 2008, only 16 out of 144 departments submitted their HRD plans, translating into an 11.1% compliance rate. This suggests that some departments may not even have these plans in the first place. Furthermore, the PSC has found that Personal Development Plans (PDPs) are often completed for the sake of ensuring compliance instead of genuinely identifying training needs that are aligned to actual job performance”.

12.1.13. The PSC further notes that “A review by the DPSA found that HR planning in the Public Service is not responsive to strategic needs and that there was consequently no alignment between departments’ workforces and government priorities, strategic plans and budgets. It further found that HR plans lacked credible strategies to attract and retain a competent workforce, and that the required number of staff was not necessarily based on credible staffing norms. Following the review, in 2009 the DPSA developed and published an HR Planning Strategic Framework for the Public Service. Through the Framework, the DPSA seeks to help departments to better understand their role in human resource planning and to guide them on how to go about the process. The DPSA has, in the meantime, also monitored compliance with this Framework and published a report. The report found that departments still cannot do the modelling, forecasting and scenario planning required for credible Human Resource Planning, hence the misalignment between HR planning and Strategic Planning”.

12.1.14. All these observations point to a lack of urgency in building a competent, efficient and effective developmental state. If a department fails to have credible strategies to attract and retain a competent workforce, and does not have a Human Resource Development Plan, there is no way it can “build the technical capacity of the state to lead the development of dynamic and globally integrated economic sectors” as required by the 52nd Conference of the ANC. In fact, the Auditor

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<sup>35</sup> Assessment of the State of Human Resource Management in the Public Service, Public Service Commission Report, March 2010, p.vii.

General's (2011) report reveals that there is an increasing trend of vacancies, which were 15% in 2009 and they are now 18%.

- 12.1.15. The fourth intervention is to maintain the strategic role of the state in shaping the key sectors of the economy; transform the economic structure. An important way in which the state can maintain its strategic role in the economy is through its enterprises and through its regulatory and procurement activities. We will first focus on the role of SOE's and procurement activities here.
- 12.1.16. In its Strategic Plan (2010—2013), the Department of Public Enterprises says: "The DPE has identified strategic roles for SOE in three areas of the economy: a) Ensuring the security of supply and the efficient and competitive provision of key economic infrastructure, b) Facilitating the development of advanced manufacturing capability through: 1) Direct investment via current or new SOE, 2) SOE investment and procurement programmes, 3) Strategic partnership engagements with global enterprises and c) SOE can be used by the State to sort out economically stifling market or regulatory failures especially in the area of network infrastructure"<sup>36</sup>.
- 12.1.17. The DPE further highlights the role of SOE's in skills development Programme 6: Joint Project Facility of its strategic plan, whose objectives are to: a) Ensure trainee artisans, technicians and engineers are placed within Eskom and Transnet and their suppliers and b) Optimise, where possible, SOE training facilities for the training of surplus artisans to increase the national pool of artisans, c) Facilitate Solar Water Heater (SWH) skills development in support of national Demand Side Management targets for SWH as reflected in the Integrated Resource Plan, d) Launch of Management Learning Programme and ongoing monitoring of the programme, e) Hosting of annual learning programme for Portfolio Committee (and Select Committee as required), f) The South African Power Project.
- 12.1.18. Although the strategic plan does not mention "decent work", it is clear that the DPE has aligned itself with the requirements of maintaining the strategic role of the state in the economy. Nevertheless, what is not clear from the report are targets for procurement of inputs from local industries, the role of SOE's in directly employing people and thereby directly contributing towards the creation of decent work and the link between FET colleges and SOEs in skills development. Since the Cabinet reshuffle and the launch of the New Growth Path of government, there have been discussions on the targets for SMME's in relation to skills development among other issues.
- 12.1.19. In the terms of procurement procedures, the National Treasury is supposed to formulate these, setting out clear targets for local procurement, enterprise development and co-operative support. This overarching policy document has not yet been produced. The lack of

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<sup>36</sup> Department of Public Enterprises, Strategic Plan 2010—2013, p.5.

overarching policy guidelines for public procurement will not promote policy coherence and harmonious implementation of local procurement policies across the various levels of the state.

- 12.1.20. The fifth intervention is to strengthen the role of state-owned enterprise; ensure that they respond to a clearly defined public mandate and act in terms of our overarching industrial policy and economic transformation objectives. Part of the DPE's identified role for SOEs is "Facilitating the development of advanced manufacturing capability through: 1) Direct investment via current or new SOE, 2) SOE investment and procurement programmes, 3) Strategic partnership engagements with global enterprises". The problem with the DPE Strategic Plan 2010, as noted above, is that it does not make the creation of decent work by SOEs the primary focus. Nevertheless, the DPE does acknowledge the role of SOEs in skills development, rural development and industrial transformation. The question is whether the actual strategic plans of SOE's respond to these imperatives.
- 12.1.21. It must be noted that the Strategic Plan 2010 for the DPE does not have procurement targets. However it mentions that there will be a procurement framework that should be approved by cabinet. Once again, the lack of an overarching procurement policy creates co-ordination problems within the state. Because of lack of an overarching procurement framework, we conclude that local procurement by SOEs is not being systematically undertaken as required. This limits the ability of the state to shape the development of economic sectors.
- 12.1.22. There are efforts at the level of the presidency to streamline the role of SOE's in economic and social transformation. The President has appointed a Presidential Review Commission to look into the role of SOE's. This Commission will have to formulate recommendations regarding, among others, the economic development role of SOE's and the appropriate structure of governance. Nevertheless, unless SOE's are provided with clear targets for local procurement, skills development and other developmental indicators their role as instruments of economic transformation will remain extremely limited.
- 12.1.23. The sixth intervention in building a developmental state is to build and strengthen development finance institutions; ensure that they effectively channel financial and institutional resources towards our economic transformation objectives. The IDC and Khula have aligned their mandates to the creation of decent work, the NEF has yet to align along the same lines. The loan book of the IDC is still dominated by mining-related activities. There is a need to diversify funding towards priority sectors in manufacturing, agriculture, food processing, etc.
- 12.1.24. The modus operandi of the IDC is yet to be transformed; it's financing and how it relates to the private banking sector are yet to be reviewed. The same applies to institutions such as the Land Bank, DBSA, Khula and the NEF. The idea is to transform these institutions into genuinely developmental finance institutions. Currently, the contradiction is that existing development finance institutions source

some of their funding from private capital markets, which demand market-related rates of return. Yet, these institutions are supposed to fund development projects which, by the very nature, offer rates of return that are below market return, at least in the short term. In this connection, the idea of a state bank first mooted in the COSATU Growth Path document, then later in the NGC resolutions and now in the New Growth Path of government, needs to be urgently taken forward.

12.1.25. To illustrate progress in ensuring that SOE's and development finance institutions have aligned their mandates towards decent work, consider the following selected agencies and enterprises:

- PIC: 2006: No mention of decent work; 2010: No mention of decent work.
- Khula: 2007: No mention of decent work; 2010: Mandate in line with decent employment.<sup>37</sup>
- NEF: 2006: No mention of decent work, but one of their pillars is contributing towards the creation of employment opportunities<sup>38</sup>; 2010: No mention of decent work, but job creation is one of their pillars.<sup>39</sup>
- IDC: 2006: No mention of decent work, just mentioning employment creation being important; 2010: Decent work agenda and indicator of IDC's vision.<sup>40</sup>
- Transnet: 2006: No mention of decent work; 2008-2009: Decent work mentioned under social indicators, under Transnet sustainability principles.<sup>41</sup>
- Eskom: 2006: Decent work is an important part of their labour practice<sup>42</sup>; 2010: Decent work is an important part of their labour practice.<sup>43</sup>

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37 Khula Annual Report 2009-2010, p. 32.

38 National Empowerment Fund Annual Report 2006, p. 14.

39 National Empowerment Fund Annual Report 2010, p. 23.

40 Industrial Development Corporation Annual Report 2010, p. 85.

41 Transnet Limited Annual Report 2009, pg. 284.

42 Eskom Annual Report 2006, p. 182.

43 Eskom Annual Report 2010, p. 315.

- 12.1.26. In addition to the above SOE's, COSATU has to re-affirm its position on the need for majority state-ownership of Telkom, and to push for Telkom to contribute to our socio-economic transformation programme. Telkom has failed to create decent work through expansion of infrastructure. South Africa today has very little broadband penetration and Internet usage, the health and education system does not have adequate ICT facilities, thanks to Telkom's profit orientation. There is also a need for COSATU to call for the state to have an arm in the cellular phone industry and to strengthen regulation in the sector. Furthermore, all agencies of the state must lead in terms of the creation of decent work, especially the Post Office. COSATU must call for the public sector to lead in banning the use of labour brokers, including in tertiary institutions.
- 12.1.27. The seventh intervention in building a developmental state is to build the capacity of the state to mobilise the people as a whole, especially the poor, to act as their own liberators through participatory and representative democracy. This resolution has not been implemented in a coherent way. The process by which the state engages the public on critical policy matters continues to be in the form of public comments and submissions. But there is no programme specifically directed at building the capacity of the state to mobilize the people as a whole. The institutional location of this programme is not there.
- 12.1.28. While progress is being made on aspects of the interventions highlighted above, e.g. on SOE's, this progress is still at the discussion stage. Measures to build the technical capacity of the state apparatus to efficiently deliver services and to intervene in the economy are still to be elaborated. There are serious gaps in the human resource development strategy of the state. The issue of mandates remains a bone of contention especially in the Economic Cluster. The capacity of the state to shape economic sectors and to direct the resources that are embedded in the Minerals-Energy Complex towards more developmental goals remains extremely limited.
- 12.1.29. Overall there is slow progress in building the democratic developmental state. Whilst there is progress in changing mandates of development finance institutions and re-orientation of SOE's, the issues of planning and co-ordination, technical capacity and the establishment of uniform entry requirements into the public service. Without a properly trained cadre and a well-resourced public service, changing mandates will not translate into action.
- 12.1.30. Furthermore building state-capacity is not a class-neutral issue. For years, big firms have centred themselves around a technically weak state bureaucracy in order to win tenders for profit making. Building state capacity to deliver basic commodities directly therefore constitutes a threat to business interests. The current weaknesses in planning and co-ordination are to the best interest of some segments of the capitalist class. It offers an opportunity to derail focus on developmental priorities. For example the fast-train project between

Durban and Johannesburg emerged outside of the political processes of the Alliance. Its level of priority is in question, yet vast sums of money will be spent with a potential to plunge the country further into indebtedness. Preliminary lessons about the Gautrain and its impact on social and economic development reveal that this train has had very little impact. What we know is that revitalizing the rail system is one of the core development priorities and that this revitalization should go hand-in-hand with the revitalization of rural and small-town economies. Because of weaknesses in planning, which reinforce a particular role for the state, some business interests easily derail resources away from real priorities.

12.1.31. Technical weaknesses of the state apparatus, accentuated by the lack of uniform requirements for entry into the public service, limit the ability of the state to intervene in the economy. Instead of regulating and giving a line of march to business, the state is instead given a line of march by business. The incapacity of the state to enforce compliance and anticipate ways in which the private sector evades regulation limits the ability of the state to shape economic activity. In addition, the lack of technical capacity makes the state rely on tenders in order to deliver on its role. This means that state incapacity is good for some business interests.

12.1.32. Can we thus really say that working class ideas are hegemonic in the state apparatus and in society, especially after the 10<sup>th</sup> Congress? This is the question that we need to tackle honestly. In so doing, we have to assess the strategies and tactics of the working class, its platforms of engagement, whether the working class has proper and well-resourced institutions to carry out the tasks that it has set for itself and whether the working class is continually deepening its ideological understanding of its role in the National Democratic Revolution and whether it is politically mobilized to undertake an offensive to advance its positions and to withstand attacks in defence of its long-held ideological positions.

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## 12.2. **The State of Local Government**

12.2.1. Local government is said to be in the coalface of service delivery. Yet, as we have noted above, there are serious technical deficiencies that exists in local government, just as there is in the rest of the state apparatus. The recent report by the Auditor-General has revealed very disappointing trends. In this part, we quote that report in detail. The report reveals that there is a gradual increase in the number of municipalities that simply do not submit their books. In 2008 the number was 1% by 2011 and this had grown to 15%. The report states that “the non-submission or late submission of financial statements was the highest in the North West (61%) and Northern Cape (34%). Both provinces also did not have any clean audit reports”.

- 12.2.2. Generally, only 5% of the municipalities received clean audits. This is just “five district municipalities, eight local municipalities and four municipal entities received clean audit reports”. The report further states that “none of the municipalities in the Eastern Cape, Free State, Gauteng, Northern Cape and North West received clean audit Reports”. This is a disaster. It means that for the past 15 years or so, we have not yet mastered the art of managing the state at a local level, and we seem not to be improving.
- 12.2.3. The report states that at the root causes of these problems are that, in 72% of the municipalities, key officials lack minimum competencies and skills, 73% of the municipalities lack consequences for poor performance and transgressions and 57% respond slowly to the AG message and lack of ownership of controls. Furthermore, “thirty-eight (10%) auditees did not submit their annual performance reports for audit, while 15 (4%) auditees submitted their annual performance reports after the legislated deadline”. Even the quality of the statements seems to have deteriorated, as the AG report notes: “The prevalence of material misstatements in the financial statements submitted for audit increased from 85% to 91% of auditees”.
- 12.2.4. The report further states: “Further deteriorations in terms of non-compliance occurred in KwaZulu-Natal, North West, Mpumalanga and the Northern Cape. None of the other provinces showed significant improvement. Unauthorised, irregular or fruitless and wasteful expenditure was incurred by 86% of auditees. Eighty-four per cent of the auditees did not take reasonable steps to prevent this type of expenditure. Supply chain management (SCM) contraventions. *Procurement to the value of R3.5 billion could not be audited because the required information or documentation was not made available by auditees.* At 46% of auditees, contracts were awarded to employees, councillors or other state officials. Unfair or uncompetitive procurement processes were followed at 65% of the auditees”. Where there is some small progress in one aspect, there is equal or more regression in another aspect of local government.
- 12.2.5. Another area of concern is the rising levels of under-spending of budgets. The Auditor General’s report reveals that: “Fifty-four municipalities (22%) [In 2009, they were 43 and constituted 13% of municipalities] under spent their votes and or conditional grants for the year ended 30 June 2011... This under spending, which is not an economic saving, is an *indicator of poor financial management, which often results in lack of service delivery and other functions such as maintenance of infrastructure*”. The only people who are hurt by under-spending are working class communities. In 2009, municipalities under spent R1.5bn but in 2011 this had increased to R3.5bn.
- 12.2.6. How is it that a democratic government, having resources that could be spent to improve the lives of the working class, could sit on those resources? While we know that the bourgeoisie daily extorts value from workers to finance the working class as a whole, the bourgeois state is furthermore incapable of re-directing those resources fully to

the working class as a whole. That is why COSATU has to now develop a proper class understanding of “service-delivery” and the concrete mechanisms through which the bourgeoisie, through its state, attempts to make money from “service delivery”. Marx notes that capital is always in motion, always circulating in its various circuits; a capital that is motion-less is a capital in crisis. Under spending therefore, does not at all mean that money is sitting somewhere motionless. In one way or another, this under spent money somehow is re-directed to the bourgeoisie for further accumulation.

12.2.7. The Report further reveals that 84% of municipalities, which is 253 municipalities, had unauthorised, irregular as well as fruitless and wasteful expenditure. Unauthorised expenditure has decreased from R6.3bn in 2009 to R4.3bn in 2011. Irregular expenditure increased from R4.7bn to R10bn over the same period and fruitless expenditure increased from R253 million to R260 million. There are of course many reasons why this happens, such as payment delays to service providers due to cash-flow problems, but the problem is extremely mammoth and deeply concerning, considering that almost R11bn is involved!

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12.2.8. The North West report to the 11th Congress decries the scale of “service delivery corruption, which is driven by a huge interest for private accumulation, the bed rock of the failure for the authorities to deliver. We are committed to fighting corruption and exposing all corrupt elements irrespective of where they are. We clearly support life-style audits, but we say they must be done in a proper manner and not be used to attack our leaders as it has been used in 2010. We saw the department of local government and traditional affairs apply section 139 in some municipalities but this did not bring any change in the municipalities. Corruption continued to exist and it had moved to a new level in that people who have the capacity to deliver were not appointed in the right position. The appointment of managers in the councils and the deployment of mayors and MMC happened in a factional way in order to intensify corruption or to clear the tracks of those who were corrupt before”.

12.2.9. The North West report further states that: “In the past term most of our councils have been faced with challenges of capacity to run municipalities and that most of them have been put under administration as per section 139 of the act. This has created doubt in some voters in particular the white community as whether the ANC will be able to deliver to their expectation. Very few councils in the province are able to meet their service delivery expectation to be specific it is only Rustenburg, Tlokwe and Matlosana who are able to deliver all other municipalities cannot meet their obligations. In the province’s 23 municipalities are currently investigated by the SIU for corruption and management failure. This in itself has put some level of doubt in the voters”.

- 12.2.10. This report from North West was submitted before the AG Report of 2011! It shows that if we, as a Federation, take a closer look and dedicate capacity to monitor the performance of the state in its direct interaction with the people, we can provide the most timely, and reliable information, about the general qualitative trends that are taking place on the ground. Clearly, any serious discussion about the second phase of the NDR must involve decisively dealing with the underlying causes of the dysfunction of the state apparatus.
- 12.2.11. Marx said the working class couldn't just lay hold of the bourgeois state apparatus, and hope that it will serve its interests. The weaknesses of local government are actually strengths for sections of the bourgeoisie who rely on this so-called weakness for accumulation. That is why nothing happens even if the AG's report is in the full glare of the public and places emphasis on certain aspects. We therefore have to consolidate a concrete set of proposals on how we can fundamentally transform and restructure the state apparatus, so that it is truly democratic and serves the majority of the people. The dysfunction of the state at a local level reveals that the precept of the Freedom Charter, which says that: "All people shall be entitled to take part in the *administration of the country*", must be given concrete meaning in the second phase of the NDR.

## Conclusion

- 12.2.12. The working class is under siege. Accordingly the working class has a task to defend its positions in the best way it can—through mass mobilisation and raising consciousness. The siege on the working class is given new impetus by the deepening crisis of capitalism, which continues to put pressure on profits. The immediate thing that arises out of this is to de-emphasise decent work, elevate any kind of employment as the silver bullet to poverty and to just mouth "decent work" without any concrete measures to ensure that decent work is realised. This report has shown that a large aspect of the Freedom Charter is not being realised and in some instances, socio-economic trends are moving in the wrong direction. The NDR is supposed to reduce unemployment, poverty and inequality. What we have seen so far is an increase in inequality in all its aspects (including the increase in imperialist domination of our economy), poverty has fallen because of social grants but jobs that are created impoverish rather than increase the standard of living for workers, and the unemployment rate has in general increased over the past 18 years.
- 12.2.13. We have shown in this report, that in almost all aspects of the concept of decent work, the South African economy is failing. The wages are too low, working conditions are still discriminatory, there is little skills development and training, there is massive "over-work" of South African workers, the level of unionisation is relatively low, despite the increase in low-wage employment, which implies an increase in precarious forms of employment and there is a significant number of

workers who have no access to benefits such as medical aid, paid annual leave and maternity leave.

- 12.2.14. The basic services that are being provided by the state are not of sufficient quantity and quality. For example, the so-called “RDP houses” are not aligned to the size and needs of a typical South African working class household, free basic services are insufficient, the social grant is very low, and workers with their low wages shoulder a large reserve army of the unemployed, etc. Flowing from this report, the Federation needs to escalate its understanding of the class character of so-called “delivery”. We must recall from Paolo Frere that the bourgeoisie, and the bourgeois state, would always want to advertise its “generosity”, without attacking the very conditions that lead people to depend on the “generosity” of the bourgeoisie for survival. However, we can also now say with certainty, that even the so-called service delivery is financed by transferring value from workers to the working class, through increasing the rate of exploitation.
- 12.2.15. Politically the line of attack on workers is to counter-poses employed workers and the working class as a whole. Whilst COSATU has consistently argued that for the past 17 years workers suffered under the yoke of bourgeois-democracy, that the economic beneficiaries of the past 17 years have been the bourgeoisie, the new neoliberalism argues that workers also benefitted economically. They did so by using their trade-unions to demand higher wages, to pressure the state to put an onerous burden on employers when they want to hire or fire workers, workers also distort the functioning of the labour market through their insistence on collective bargaining and minimum wages across the board. The strategic objective of the new neoliberalism is to isolate workers from the broader working class, and to turn the unemployed, particularly young people, against the labour movement.
- 12.2.16. The social system of capitalism is clearly failing to solve the problems of the country. This is the underlying message of this report. Any attempt to “regulate”, “decorate”, “panel-beat” the system will not work, as it has not worked, unless the basic wealth in our country is transferred to the people as a whole. The slogan of the working class therefore remains: “Socialism or Death!”