

OPINION | Are labour unions still serving the interests of the entire working class?

REINVENT TO REMAIN RELEVANT: THE CHALLENGE FOR UNIONS AS THE VOICE OF THE WORKING CLASS

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Introduction

Have trade unions become an obstacle to the achievement of South Africa's developmental goals? The balance of opinion in contemporary public policy debates seems to suggest that this is the case. Trade unions, so the conventional argument goes, represent full-time workers, entrench their advantaged position and, in so doing, replicate an economic system characterised by high inequality and high unemployment. Unions, as is to be expected, reject this notion. The view, across union federations, is that they are still the drivers of a redistributive agenda, which speaks for the voiceless poor and challenges the unjust structural underpinnings of employment and distribution patterns. Far from becoming an obstacle to societal change, trade unions argue that they remain as relevant as ever in supporting a more egalitarian society.

This article has two themes. The first is the ongoing, important role that trade unions play in representing their members and in advancing South Africa's economic transformation agenda. In the parlance of the Congress of South African Trade Unions (COSATU) 'transformative unionism' shapes the choices, campaigns and conflicts that unions engage in.

However, the criticism of the trade union movement raises significant challenges that cannot go unanswered. Innovation in several areas of union activity is urgently required to foster the unions' role in achieving a more inclusive society. The methods and means of reimagining trade unionism are the subject of the second theme.

Insider-outsider

Trade unions in South Africa have made major gains since 1994. These have included significant improvements to labour legislation, the entrenchment of collective bargaining in several sectors and social dialogue forums – especially the National Economic Development and Labour Council (NEDLAC) –

which have transformed many aspects of apartheid labour relations. In winning these gains, some have asked whether unions have not become 'insiders' of the very system they criticise? More bluntly, have trade unions been co-opted into a system that they once criticised and, thereby, become part of the problem? The 'insider-outsider' hypothesis argues that trade unions have indeed become 'insiders', and contribute (perhaps inadvertently) to shutting the door on 'outsiders'.

Jeremy Seekings and Nicoli Nattrass (2006: 375) provide a compelling background statement to this argument:

The post-apartheid distributional regime displays strong continuities from its predecessor, the late apartheid distributional regime, because the biggest losers under both have remained politically weak. The unemployed, especially the rural poor without easy access to urban land markets, were unable to use their electoral strength to secure pro-poor reforms, in part because it was unclear precisely what reforms would be pro-poor in the longer term. The powerful political constituencies in post-apartheid South Africa, on the other hand, were able to mobilize effectively and secure beneficial policies including lowered tax rates and raised wages and salaries for working people with skills.

The argument is important because, taken to its logical conclusion, it provides a response as to why inequality remains so high in South Africa. In more accessible terms, Nic Dawes (2011) refers to this as the 'great carve-up'. His view is that the economy has been carved up between government, big business and organised labour (the insiders), each of which has received an economic benefit, but at the expense of the poor and unemployed (the outsiders). In essence, the proposition is advanced that the social accord created at the end of apartheid (what Seekings and Nattrass call the 'post-apartheid distributional regime') saw trade unions



Through regaining their organisational strength, trade unions could play a more progressive role, instead of being viewed as insiders that have been co-opted into the system.

become part of this deal, and that in securing gains for their members, they entered into a compromise that has perpetuated unemployment.

Seekings and Natrass take the analogy further, arguing that two types of social accord are possible. The first, an 'insider accord', is focused on tweaking the implicit social accord crafted after democracy, which would detail the parameters of wage increases, exclusion for firms unable to pay the agreed wage increases, and improvements in skills training and education. The second, an 'outsider-friendly accord', would include labour market reforms to encourage labour-intensive firms and sectors, support to areas that negatively impact on employment, and changes that benefit the unemployed through measures like public works or a basic income grant. Importantly, such an envisaged package would also include the removal of taxes on employment. In a country with such high levels of inequality and unemployment, the shift from an insider accord to an outsider-friendly accord is a tempting prospect, even if one disagrees with the argument underpinning the shift.

Importantly, the recommendations in both accords are focused on the trade unions making significant compromises and the government providing social security and other reforms; but there are no substantive compromises on the part of big business. In other words, business as an insider would be incentivised to provide more jobs through the compromises reached, and their contribution would be larger numbers of low-skilled jobs. Trade unions have rejected this model. At its 4th Central Committee meeting held in 2011, COSATU criticised this as being unfair, likening it to 'class suicide' (COSATU 2011).

The structuring of possible accords points to weak redistributive channels. It is revealing that the primary transfer occurs from the middle strata to the lowest strata, and not from the top to the middle or lowest strata. The trade union defence of its role in economic policy has been anchored on this feature of the 'insider-outsider' hypothesis. Their core argument has always been that a more just social dispensation would entail a steadier stream of resource and wealth transfer from the top end of the income distribution to the lowest end.

More to the point, trade unions have argued that there are clear linkages between the organised working class and the unemployed in the day-to-day interactions in the economy. South Africa has a high dependency rate (which measures the number of people a working person supports). The National Planning Commission (NPC) provides the most recent estimate, indicating a dependency ratio of 3.9 people for every one

worker (NPC 2011). Thus, there is sufficient evidence of existing redistribution channels from the organised working class to the unemployed, through workers that support unemployed members of society. This is significant, because it challenges the simplistic 'insider-outsider' dichotomy, which assumes little or no solidarity between organised labour and the unemployed.

A more disconcerting truth for trade unions is that the living standards of workers have not improved significantly, despite worker militancy in several sectors. Labour's share of the economy has declined (COSATU 2010). More importantly, settlements on wages and salaries have not been significantly high. Data provided by the National Treasury, for instance, clearly shows that the real wage increase across the economy between 2008 and 2010 was 14.2 per cent (National Treasury 2011). At face value, the increase seems high, but if one considers that labour's share of the national economy has declined, one can infer that other actors in the economy have done significantly better than workers (even those represented in collective bargaining arrangements). Here again, the distributional issues are important, as they show that the higher income earners have benefitted more than workers. Simply stated, organised workers have not managed to attain increases to wages and salaries that would entail the carving up of a small economic pie.

Trade union activity is not limited to collective bargaining. All union federations in South Africa regularly campaign on matters of public policy. COSATU, as the largest federation, leads the way with its focus on changing economic and social policy in South Africa. Solidarity, a union representing mostly white workers has a programme to train apprentices and regularly comments on the impacts of policies such as affirmative action. The Federation of Unions of South Africa (FEDUSA), the second largest trade union federation in South Africa, has a distinctly pro-market stance, and advocates a set of public policy positions to this end. There are, thus, disagreements between trade unions on the exact public policy prescriptions, but there have been contributions to wider public policy issues and debates that suggest a more comprehensive focus than merely representing union members.

Collective bargaining arrangements, too, have placed greater emphasis on smaller firms, the introduction of flexibility to support productivity, and linking employer and employee demands. In the motor industry, there have been several agreements supporting continued work at factories; in the mining sector, there are similar examples. More recently, the agreement in the clothing sector to introduce lower entry-

level wages in exchange for increased employment, suggests that the unions are finding more innovative ways to address the challenges that South Africa faces.

The picture is not all rosy, however, with Webster and Von Holdt (2005) showing that restructuring at the workplace after democracy has taken various forms of co-operation, but in several instances also authoritarian restoration (where managers actively seek to assert their authority, as opposed to pursuing co-operative arrangements). There are instances, moreover, where small business players have been unable to meet the commitments reached at bargaining councils, especially when agreements are extended to non-parties to the bargaining council.

The details of innovative wage settlements, and the impact of these on small business, are beyond the scope of this article. However, they do show that the insider-outsider paradigm, which portrays unions as an obstacle to South Africa's developmental goals, is a highly problematic simplification of a much more complex relationship between workers and owners.

Bureaucratisation and politics

There is also a more left-leaning critique of trade unions, which is comprised of three major arguments.

Firstly, the victory of democratisation and the consequent changes to labour laws have turned trade unions from activist organisations into more bureaucratic organisations. In a challenging book, titled *Paradox of victory: COSATU and the democratic transformation in South Africa*, Sakhela Buhlungu (2010a) argues that with democratisation trade unions have lost the organisational muscle they once had. Buhlungu (2010b: 60) says of trade unions:

In South Africa, the crisis of the industrial union model is best illustrated by its inability to cope with labour market changes, such as the segmentation of the labour market into a core workforce, comprised of workers in permanent positions with benefits and relative security of tenure, and a peripheral workforce, made up of workers in precarious forms of employment.

The argument being made is similar to that advanced by Seekings and Nattrass, but the political project is different. For Buhlungu, trade unions need to regain their militancy to fight fights that are focused on social justice. In other words, through regaining their organisational strength, trade unions could play a more progressive role, instead of being viewed as insiders that have been co-opted into the system. However,

Buhlungu points to the increasingly inward-looking focus of trade unions as limiting their ability to organise and represent outside of formal workplaces. It is a valid criticism, even if somewhat overstated.

COSATU, in particular, has consistently retained close linkages with civil society, as part of its political programme. Its campaigns on fiscal policy, social security and economic policy have prioritised coalitions with a wide range of civil society actors. More to the point, over the last decade, it has consistently managed to bring out the numbers onto the street for campaigns focused on poverty and unemployment. Over a period of three years in the mid-'00s, it held one-day strikes under the theme, 'Crush poverty! Create quality jobs!'. Moreover, its anti-privatisation strikes campaigned for public service delivery by the government, and not as an extension of markets in the provision of public goods and services.

Secondly, the politics of the tripartite alliance have largely played a disciplining role in respect of the organised working class. The relations between alliance partners are difficult to decipher, even for insiders to this process, as there is a constant shifting of positions. Here again, the criticism has merit, especially as it has the potential to divide COSATU. Steven Friedman (2011) makes the point that the 'economic freedom' march by the African National Congress Youth League (ANCYL) had the impact of dividing COSATU affiliates. Friedman further stresses that layering the agenda of workers with politics in the ANC could result in significant weakness and paralysis in the trade union movement.

Trade unions, themselves, are divided by their distinctive political strategies. While COSATU continues to maintain strong relations with the ANC, FEDUSA and several independent unions are fashioning themselves as a 'non-political' trade union centre. There are profound disagreements, thus, amongst the major trade unions on how to engage with the dominant ANC.

Thirdly, new forms of organisation, such as social movements, are emerging outside of the trade union movement. Webster and Von Holdt (2005) argue that trade unions need to find innovative strategies to engage with these new actors and their modes of protest, which are located in communities but linked to the wider changes in what they call 'the world of work'. The relationship between community struggles and wider economic conditions is important to understand in order to grasp why and how such new forms of organisation are beginning to emerge.

COSATU has attempted to engage with social movements and self-organisation efforts by workers on the periphery, primarily by offering support and adopting sympathetic resolutions at its congresses. However, it has not yet managed

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to build strong and sustainable linkages with social movements; nor has it managed to find ways to organise atypical workers. This is an area of weakness that must be addressed, and is given expression in the following rhetorical flourish by Zwelinzima Vavi (2009):

It must unite unionised and the un-unionised workers, it must bring together blue collar and black professionals. It must unite the workers with permanent jobs with those employed by the labour brokers. The campaign must have clear demands and time frames how these should be realised by when.

COSATU, thus, recognises the challenges that it faces in building a broad alliance that could support a more egalitarian social outcome. However, it would need to undertake significant changes to achieve these outcomes; this is discussed in the final section.

New directions

Thus far, the substantial weaknesses of the rigid 'insider-outsider' hypothesis have been raised, but contextual realities also point to the significant challenges to their relevance that trade unions have to face up to. If it is to sustain its progressive and transformative role, the organized working class will have to adapt to these new realities. How then can it continue to play this role?

The debate about the youth subsidy provides signposts to the answer of this question. Trade unions opposed a proposal from the National Treasury to provide a subsidy for employers to employ young unemployed workers. Their concerns stemmed from the risk of creating a 'dual labour market' for members, but also the fear that the inherently skewed structural nature of unemployment would remain unaddressed. The arguments find empirical support in an important paper by Burger and Von Fintel (2009) who suggest that structural reforms are needed to address structural unemployment; hence, the extension of a youth subsidy would be a meek response. In other words, to ensure that trade unions continue to play a wider role, they must first ensure that the arguments they make reflect a wider social reality, and not just the perspectives of their members.

Secondly, unions must develop policy proposals. In the case of the youth subsidy, trade unions have focused on industrial policy, and on public works programmes. The coherence of the policy positions needs to be improved. However, as shown

in COSATU's New Growth Path documents, there is a very conscious effort to speak to smaller business players and seek alliances.

The NPC's Diagnostic Report (2011) also cites Burger and Von Fintel's (2009) analysis of the deeply structural nature of youth unemployment. The depressing conclusion is that the average unemployed 25-year-old youth will still be unemployed at the age of 35 or 45. Yes, there are welcome commitments to expanded public works programmes, and significantly detailed proposals to improve education in the national plan, but the deeper question of how the excluded are to connect with opportunity remains an unmet challenge.

Thirdly, the experiments to organise informal traders, build social movements and even explore new forms of union membership must be sustained. The current membership model for trade unions is beginning to look old in the face of significant changes in the world of work. For instance, informal workers are rarely organised in the workplace, lack regular income to pay monthly fees and often prefer self-organisation. Similarly, social movements are diverse, located in communities or around a specific issue, making old coalitions difficult to implement in the current context. The trade unions must find ways of giving voice to these new forms of organisation, even if it means self-organisation outside of the trade union movement, or membership systems that are flexible enough to accommodate atypical workers. The debate on the youth subsidy showed that trade unions need to build these relationships, not only to garner support, but because the debate on economic transformation must include those outside the formal economy.

Conclusion

Trade unions continue to play an important role in our society, one that is guided by an egalitarian outcome. Attempts to sustain the 'insider-outsider' hypothesis reflect a significant challenge to the role that trade unions argue that they play. Ultimately, though, this hypothesis lacks the substantive evidence to be sustained. The criticism that trade unions are facing a significant challenge to their continued role as social actors capable of representing the 'working class as a whole', however, has merit, because that role is not preordained but rather is constructed in the day-to-day work of trade unions.



TRADE UNION STRATEGIES ARE NOT HELPING THE POOR AND UNEMPLOYED

Carol Paton

The problem with South Africa's economy is that too few people work. While this is a statement of the obvious, the low level of participation in economic activity is remarkable in comparison with other economies. In South Africa, only 41 per cent of adults between the ages of 18 and 60 years do work of any kind, whether full-time, part-time or informal (see Figure 2.3.1).

In comparable developing countries like Brazil and Malaysia, the rate of participation in the economy by working-age adults is around 66 per cent. In developed economies, such as the US and UK, it is 70 per cent.

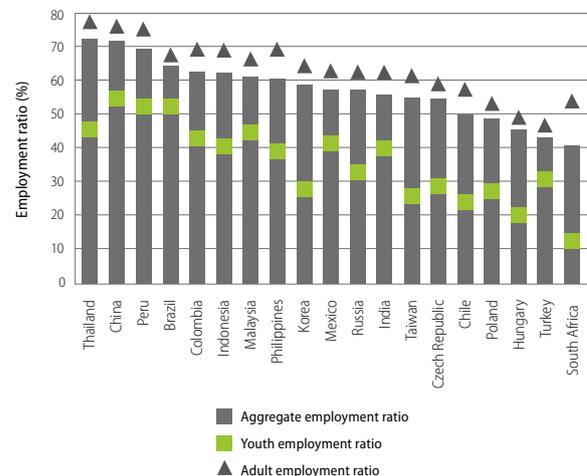
South Africa's high and sustained rate of unemployment is almost unparalleled anywhere in the world, according to the Organisation for Economic Co-operation and Development (OECD) 2010 country survey. One quarter of the workforce is unemployed and looking for work; at least a further 5 per cent are discouraged from looking for work at all; and the broad rate of unemployment has been well over 30 per cent since the 1990s (OECD 2010).

That this must change is something on which everyone agrees. Job-creation, say the government, business, labour and political parties, is South Africa's overriding priority. However, the debate on creating jobs has been mired in political conflict and has made little progress. Anyone arguing for increased flexibility in employment conditions has been labelled anti-worker, anti-poor and anti-transformation. With a political zeal that has eliminated the possibility of reasoning and genuine engagement, organised labour has defended every inch of space won under the labour regime that came into being in the 1990s.

At the other end of the political spectrum, the mission to reverse labour's gains in order to increase labour market flexibility has been held up mistakenly for many years by free market champions as the panacea for our unemployment problems. However, as countless analyses have shown, the reasons for unemployment are deep and historical, and cannot be attributed to any one cause or to the actions of any one social actor. In particular, it has been pointed out in several authoritative studies by, among others, the International Monetary Fund (IMF) and the OECD, that labour laws – those governing hiring and firing – are not the cause of high unemployment.

Misconception, fear and resentment have poisoned the

Figure 2.3.1: Youth and adult employment ratios in South Africa and selected emerging market economies



Source: National Treasury (2011)



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atmosphere for engagement. The result is that in achieving what is undeniably its most important goal, South Africa remains no closer to finding solutions than when the transition to democracy began 17 years ago.

The trade union movement must take its share of responsibility for the stalemate. Its ideologically laden and outdated theoretical analysis of the unemployment problem and how to solve it is one of the roots of the impasse.

In the past five years, many excellent analyses have diagnosed the unemployment problem from a variety of standpoints. The National Planning Commission (NPC), the National Treasury, the International Panel on Growth (popularly known as the Harvard group) and the OECD have all produced high-level studies on South Africa's economic weaknesses, all outlining a similar picture.

The problem has been summed up as follows. While South Africa's colonial economy, shaped by the extraction of minerals and the development of agriculture, produced large volumes of cheap, black labour to work on the mines and farms, the demand for low-skill jobs was too weak over time to absorb the growing labour force. For most of the twentieth century, the mines and farms employed large numbers of low-skilled people, but there was a very large decline in jobs in these sectors over the past 20 years.

The loss of jobs in mining and agriculture was not compensated for by the growth of manufacturing, which during apartheid was both highly protected and capital intensive. In fact, employment in manufacturing began to decline in 1982 and, by 2004, had fallen by 21 per cent (Hausmann 2008).

So, while the country's development path created masses of low-skilled labour, employment opportunities for this group began to decline markedly from the 1980s. This coincided with the beginning of the end of apartheid and the lifting of restrictions on the movement of black people that had been at the heart of the system. In other words, as most of these studies point out, there was a very large reduction in the number of unskilled jobs at a time when the demand for exactly that sort of work was growing rapidly.

Combine this with the fact that apartheid had all but destroyed the capacity for subsistence and peasant agriculture – which, in many developing economies, continues to provide livelihoods during industrialisation – and South Africa's massive unemployment problem is put in perspective.

What these analyses tell us is that the unemployment situation is deep, historical and structural. On a political level, it is important to acknowledge this, because it means that no social actor – whether trade union, business or government – can be held solely responsible for the development path the economy has taken.

From the 1980s, a further bias against labour-intensive production developed, with employment growth shifting towards skills-intensive sectors such as services. It is widely agreed that the shrinking of employment in manufacturing is probably the most important single factor in the economy's failure to absorb labour in sufficient quantities, but it is here (in the manufacture of goods that can be exported), where relatively low-levels of skill are required, that jobs need to be created. According to the Harvard group, for instance, this is important not only in order to ensure that the growth that South Africa produces is sustainable, but also because 'such a pattern of growth is needed to create the kinds of jobs that use the human resources that the society has at its disposal' (Hausmann 2008: 4).

This means encouraging the growth of industries and firms that can employ large numbers of people in low-skill (and, unfortunately, low-pay) jobs. Preferably, the goods they produce must be made for export, which means again that the wage component of the cost of production must be globally competitive.

COSATU's typical response to these reports has been to dismiss them as ideologically biased. In September 2010, the union federation published an in-depth analysis of its own – *A growth path towards full employment* – in which it advocated a range of radical policies (COSATU 2010a).

Although internally coherent in an abstract, theoretical way, the policy ideas take no account of global economic realities. The argument is that to overcome the exclusion from economic participation of the vast majority, the growth path must have redistribution (which includes higher wages for the employed) as its central organising principle. Since this approach is at loggerheads with 'global forces', an 'active state is required to drive economic development'.

Thus, fiscal policy, for example, should involve higher taxes on the wealthy and on companies, permanently higher spending on social infrastructure, and comprehensive social security. Social security should include a basic income grant for those unable to work and the guarantee of employment 'for everyone of working age who is willing to work and able to work'. Industrial policy would include the nationalisation of strategic industries and the creation of state-owned enterprises in a range of sectors.

All of this would be financed by the creation of a state bank to buy government bonds and by bringing the South African Reserve Bank under state ownership and control, so that its balance sheet could be accessed for 'developmental purposes'.

Only in Utopia would such policies be viable. In the real world, where private investment is central to economic growth and employment, and the resources of the state are limited,



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policies like these have no place. The only function that they do serve is to propagate the fiction among workers that old-fashioned socialism could be revived if only enough political will were generated and sufficient pressure exerted. The relevance and importance of what has become the most frequently recommended policy solution – that higher employment lies in the fostering of a low-wage manufacturing sector – is, by definition, excluded by COSATU from the debate.

Much of COSATU's analysis and rhetoric argues that the wage struggles of the employed are where the battle for the redistribution of wealth is fought. The poor and marginalised, who are unfortunately not part of this relationship, should be looked after by the state, it is asserted. These arguments are frequently employed to provide a revolutionary justification for the entrenchment of South Africa's historically segmented labour market, in which a small group of insiders enjoys opportunities from which the outsiders are excluded. And because wages for workers in South Africa are low, relative to the cost of living, and the inequalities between rich and poor are vast, it is an argument that has easily seen off any ANC policy-maker bold enough to raise the issue of wage levels.

There is indeed great moral and political difficulty in asking workers to accept low wages in the interests of restructuring the economy. However, weighed against the objective of drawing more people into work, it is not as immoral as is often contended. Rather than closing down the discussion, union leaders would do well to look for a practical solution to the question of how the burden of a lower-wage structure could be generalised more equally across society.

To make it possible for trade unions to even contemplate such a discussion, it is important that other social actors make certain acknowledgements.

The first is that while manufacturing wages in South Africa are high by developing country standards, the high cost of living and the poor quality of public services means that workers live poor quality lives. The NPC (n.d.) notes that South Africa's hourly manufacturing wage is five times that of Sri Lanka, India, Philippines and China, and three times that of Russia, Brazil, Turkey and Hungary. Nevertheless, as COSATU think tank, the National Labour and Economic Development Institute (NALEDI) points out, the average wage of an unskilled worker (covered by bargaining council agreement) amounts to R1 909.00 per month, which is below the estimated R2 428.00 per month required to provide nutrition and other basic needs for a family of four (COSATU 2011).

Further complicating the picture is that South Africa's 'high wages' came about not by virtue of large or disproportionate

gains made at any point by black workers (something analysed by the OECD 2010 survey), but rather as a result of a combination of changes in labour supply and demand during the 1990s, as well as the wage bargaining system and union power, which stopped wages from falling as much as they would have needed to for the market 'to clear'.

The second acknowledgement that should be made (by business, in particular) is that the excesses of corporate pay have made a discussion on low-wages for workers politically untenable. Not only that, but the escalation of executive pay – which has been rising much faster than wages – is fuelling an unfeasible level of inequality.

One suggested mechanism that could lower wages without making workers poorer – that of a wage subsidy for youth – initially made by the Harvard group has been rejected out of hand by COSATU unions. The wage subsidy – formally proposed by the National Treasury in February 2011 and due to be implemented on a limited scale in April 2012 – will displace older, expensive workers with cheaper, younger ones, according to COSATU.¹

This is not necessarily true. While there is the danger of some degree of substitution (older, unsubsidised work-seekers are less likely to be favoured in the competition with younger, subsidised work-seekers), existing employees would remain protected by labour legislation and would not be easily substituted.

A wage subsidy for youth doing entry-level, low- or semi-skilled jobs has another advantage for South Africa's particular problems. Due to union power and the collective bargaining architecture, there is strong evidence that entry-level wages are particularly high and problematic.² Drawing on analyses by the OECD, the Treasury states that starting wages for entry-level workers in South Africa are 62 per cent of the average formal sector wage; in OECD countries (which also have high starting wages compared to developing countries), starting wages are 37 per cent of average wages (see Figure 2.3.2).

Since workers with or without work experience cost the same to hire, employers have opted unsurprisingly for those who have worked before, putting youth at a disadvantage and (because of enduring, structural unemployment) at risk of a lifetime of unemployment. The social costs of this phenomenon are high.

COSATU's fear of the proposal, however, lies in the possibility that it might just work. Among some workers, and even one union – the Southern African Clothing and Textile Workers' Union (SACTWU), which recently agreed to such an arrangement – lower entry-level wages make sense, if it

COMRADE
MANDELA
WE ARE STILL
STRUGGLING
MEFONDINI!





No progress will be made unless ideological positions are softened, revolutionary theories are put aside, and pragmatic and practical solutions are looked at.

means that more people can work. The economic theory of wage elasticity says that it should (the demand for labour should rise when the wage rate falls), and SACTWU's agreement with employers is premised on an anticipated 5 per cent rise in employment. If the increase in employment does not happen over a three-year period, the agreement to employ entry-level workers at lower wage rates will fall away.

Other COSATU unions have responded with outrage to the SACTWU agreement. However, it means that, together with the limited roll-out of the wage subsidy next year, there are two experiments in the field, which will assess the actual and not just theoretical effects of lower wages on labour demand.

A second suggestion for solving the 'high-wage, high-unemployment' problem is an agreement at a society-wide level. Numerous in-depth studies, including the Labour Market Commission in 1996,³ the national Growth and Development Summit in 2003,⁴ the New Growth Path document (DED 2010) and the OECD country study (2010) have all arrived at the same point after grappling with the same intractable problems.

However, COSATU has declared that a pact would be 'suicide', on the grounds that elsewhere in the world similar agreements on wages typically have involved a moratorium on industrial action, which led to the demise of union membership and power: 'If we did sign such an agreement, five years down the line workers would create a new federation, once they see the impact a wage freeze has had on their lives' (COSATU 2010b).

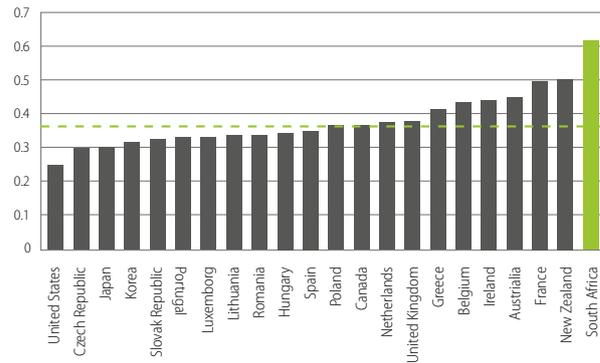
Again, objections of this sort are ideological rather than pragmatic and are based on the principle of self-preservation, which COSATU does not want compromised.

In contrast to the evidence in favour of creating economic activities that would suit the human resources that it has at its disposal, COSATU has done its best to propel the economy in the opposite direction. The campaign for 'decent work' – defined by COSATU (but not by the government) as work that is permanent and has social security benefits – illustrates this trend.

Over the past three years, advocating decent work has entailed a concerted campaign to ban labour brokers, third-party agents that have provided contract employees on a flexible basis with great success. Banning labour brokers, which would mean that employers would have to appoint such workers permanently, is a high-risk strategy for employment. An impact study commissioned by the Cabinet expressed concern that the 'major source of job creation over the past 14 years could be outlawed' (Benjamin & Bhorat 2011).

These are difficult issues for both trade unions and the country to negotiate, but no progress will be made unless

Figure 2.3.2: Ratio of minimum wage to average wage of full-time workers in selected countries



Source: NPC (n.d.)

ideological positions are softened, revolutionary theories are put aside, and pragmatic and practical solutions are looked at. Nowhere is this truer than within the trade union movement, which has continued to take its guidance from outdated theories with an uncertain Utopian destination.

It is unreasonable, however, to expect workers and union leaders to make the necessary leap to a new way of thinking on their own. Others in society need to make it happen by, among other things, spreading the burden of poverty more equitably, committing to reducing inequality, and uplifting the poor and working classes through good quality social services that could compensate for a lower-wage structure. Two issue-based social accords – one on increased skills training, and a second that has set a 75 per cent local target for government procurement – concluded this year between the government, business and labour are excellent examples of how to share responsibility among social actors to promote better employment outcomes. A social accord on productivity would be the next place to look for even greater progress to be made. Trade unions should agree to engage rather than object for abstract ideological reasons.

Notes

1. The wage subsidy proposed by the National Treasury will subsidise employers who take on new workers between the ages of 18 and 29 and who earn less than R60 000 per year. For the first 12 months, the subsidy will be 50 per cent of the wage to a maximum of R12 000, tapering off in the second year towards zero. Existing young workers will be subsidised for 12 months, at a rate of 20 per cent, tapering off to zero.
2. One reason for South Africa's high starting wages is the bargaining council system, which sets minimum wages across sectors. While big employers and big labour tend to belong to councils, wage agreements can legally be extended to non-parties. In OECD countries, legal extension of agreements to non-parties has been found to be particularly bad for employment outcomes. Empirical research on bargaining councils backs this up, showing that firms covered by bargaining councils pay wages that are 10 per cent to 21 per cent higher than similar firms that are not covered (Magruder 2010).
3. *Restructuring the South African Labour Market, Report of the Presidential Commission to Investigate Labour Market Policy* (1996). Available at: <http://www.polity.org.za/polity/govdocs/commissions/fintoc.html>.
4. *Growth and Development Summit Agreement*, June 2003. Available at: <http://www.nedlac.org.za/summits/presidential-summits/growthanddevelopment-summit/agreement.aspx>.

