ECONOMIC NOTES

Economic Notes is supplied by the Labour Research Service (LRS), Cape Town

New threat to the closed shop: a defence campaign is needed

Objections to the closed shop

Progressive unions have had serious objections to the closed shop as it was used in the 'old' South Africa. White unions used the closed shop to keep black workers out of skilled jobs.

But now progressive unions are seeing the value of the closed shop. It is a measure for protecting unions against free-riders, splinter unions and sweetheart unions. It has become vital for the protection of union security.

Government proposes new change

Recently the government proposed that the new Labour Relations Act – currently under discussion – should give workers the right to "elect not to become a member" of a trade union. This is a direct threat to the collective rights which form the basis of the union movement.

Such a change – unfortunately supported by a number of lawyers – will seriously weaken many unions, especially in industries with high labour turnover. Such unions will have to recruit their whole membership over and over again every few years. The hotel, clothing and textile industries are examples.

The Chamber of Mines has also demanded the abolition of the closed shop in the mining industry. They liked it when it was used for racial discrimination; they abolish it when the NUM wants a non-racial 'agency' shop!

Collective rights of workers undermined

Serious study of the various draft 'Bill of Rights' set out by political parties is also needed. Individual rights are protected heavily, but the *collective* rights of workers are undermined.

A defence campaign is needed

The banning of the closed shop is another form of deregulation. A defence campaign is needed. ❖

'Combatting inflation' but workers pay the price

Workers suffer, and companies gain

A leak from the Department of Manpower has revealed that the Manpower minister is interfering with industrial agreements. He says he is combatting inflation, but it is workers who suffer, and companies which gain.

It is believed that the minister is refusing to gazette agreements which exceed the rate of inflation. So collective agreements made voluntarily by employers and trade unions can be refused by the minister.

This may be what the previous minister meant when he said in Parliament that "agreements should be published **unless they are not in the public interest** (*Hansard*, Col 6414, 6 May 1992).

Government against real wage increases

The government obviously believe that increased real wages are against the public interest. With the long delays before the minister's approval for agreements is obtained, industrial councils are greatly weakened – by ministerial interference alone.

There will be little point to

statutory collective bargaining if such interference continues. If workers cannot use industrial councils to achieve higher real wages with the agreement of the employers, they will be forced to resort to other measures.

Nothing in the LRA

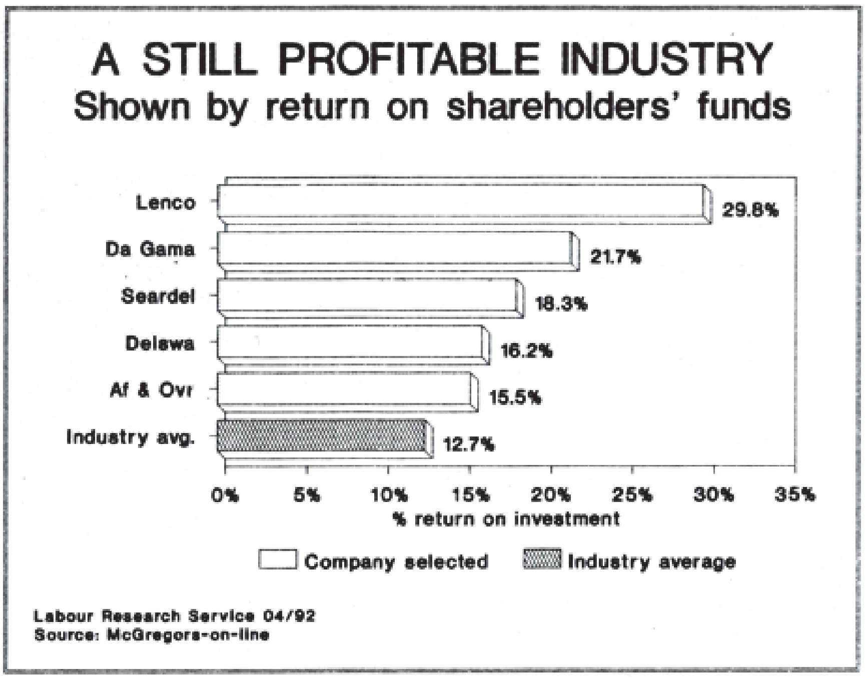
Nothing in the Labour Relations Act empowers the minister to refuse publication of agreements in order to fight inflation.

Perhaps the government should set an example by controlling its own ballooning costs, before using administrative controls to make the workers pay. ❖

Industry profile: clothing sector

The clothing industry had a bad year in 1991. The 1991 annual reports of clothing companies show large decreases in company profits and sales. Both sales and profits increased on average by less than the 1991 inflation rate of 15,3%. Sales increased by only 8,7% and profits after interest and tax fell by 5,5% from their 1990 levels. This means that clothing companies suffered losses in real terms in 1991.

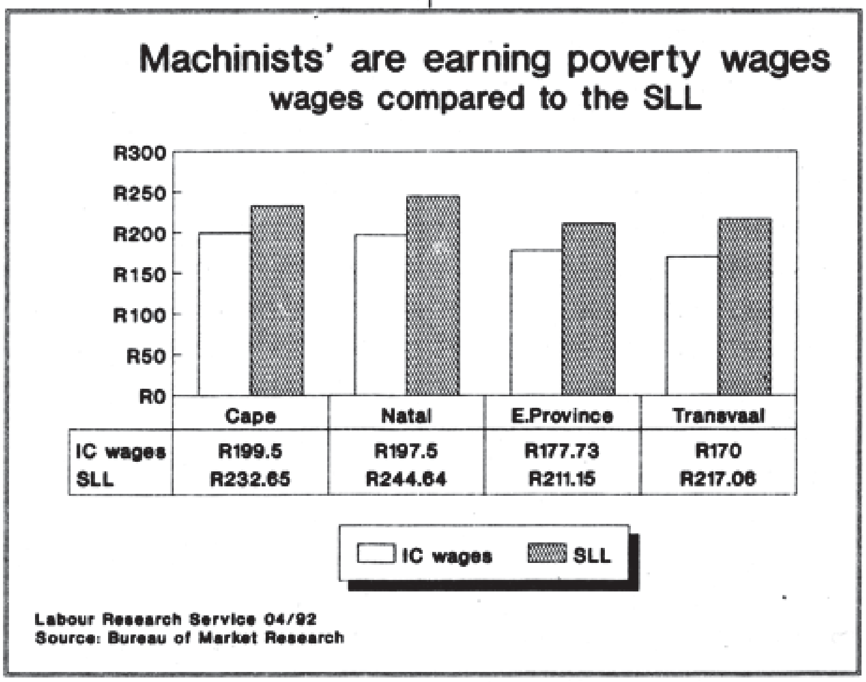
Return on shareholders' funds, however, which shows how profitable a company is, gives a better picture. The calculation "return on



shareholders' funds" takes the shareholders' funds and divides by the profits after interest and tax. The graph below shows that the returns in five big clothing companies were above the inflation rate.

Machinists' are still earning less than the Supplemented Living Levels (SLL) for February 1992. The SLL is a poverty datum line produced by the Bureau of Market Research of the University of South Africa, for August 1991.

Employers in the clothing industry expect levels of exports to increase considerably within the next twelve months. The average factory use in the clothing industry in November 1991 was already at 84,4%. Therefore an increase in



exports should result in an increase in employment or, at least, an end to retrenchments.

The economic recession has had a silver lining for the clothing giant Seardel. It has meant that the stronger companies can take over the weaker companies. Seardel has recently taken control of the textile group Frame. This is significant because the clothing industry is very sensitive to the price of material. About 55% of the cost of a garment represents material costs. This places Seardel in a better position to exploit an increase in demand for South African clothing exports.This is a fine example of how monopolies can thrive in an economic recession.

On the whole, however, the recession has negatively affected the clothing industry. During 1991 employment fell by about 20 000 in the clothing and textile industries. It can be expected that clothing employment will rise in the third and fourth quarters of 1992, as the economy picks up. ❖

Building a million jobs

Labour intensive construction

Unemployment is one of South Africa's most urgent problems. It is a legacy of apartheid that cannot be easily undone. Recent research has indicated that labour-intensive methods in the construction industry can go a long way to alleviating the problem of unemployment.

Switching to labour-intensive construction means a 200%-500% increase in employment. At present, a rural road costs R100 00 per kilometre using conventional methods - but only R10 000 would go to employing workers. Using labour-intensive methods, this could be increased to R65 000 (ie a 550% increase) for the same quality of road.

Not only has the level of unemployment increased, but the economy has become more capital-intensive (ie employers are replacing workers with machines). Between 1981 and 1990, 1% economic growth resulted in only 0,5% growth in employment. This means that the pattern of economic growth (ie increasing capital intensity) is causing unemployment.

Create employment as well as quality products

Research by the World Bank in 1986 revealed that it is feasible to replace machines with workers in civil construction (for example, constructions such as dams, roads and buildings). Sometimes it is even cheaper to do so. In South Africa there is great need for housing and infrastructure like water and electricity supply, especially in the rural areas. A labour-intensive employment creation programme could be established to construct and maintain the required infrastructure.

These employment creation programmes must create both employment and quality products as well. A reason for the failure of many 'emergency', or short term, employment schemes was that they concentrated only on creating jobs, but not on producing quality goods.

Public sector provides the funding

The public sector must be the source of funding. It is also the institution responsible for the planning, control and evaluation of the programmes. But it does not have to be the employer. Most employment in the construction industry is provided by the small contractors involved in short term projects. The public sector thus provides the planning and the incentives to which the small contractors will respond using the prescribed labour-intensive methods.

Most labour-intensive construction involves good interaction with the community in order to succeed. Proper consultation with the community must take place during the planning stages.

Problems with the governments's job creation schemes

The government's 1992/3 budget released R1 billion from oil reserves for job creation. And the Independent Development Trust (IDT) has allocated R750 million for projects that create employment. Unfortunately these projects are short term projects (about 15 months) and were launched without planning or discussion in the community. These projects also do not fit into any national programme. They will not leave any permanent structure to alleviate unemployment after these short term projects are completed.

Conclusions

- It is not true that labour-intensive methods, in the construction industry, would be more costly, take longer and result in lower quality work.
- There should be a ten year national plan based on research in participation with the community and unions.
- Small scale pilot projects should first test the plan.
- Small contractors must be encouraged to tender for local projects.
- Products created must belong to the communities and be useful to them.
- There must be a training component in the programme so that trained workers will be provided for companies and organisations in the country. ☆

Source: *Employment Creation in Construction in South Africa: The Potential and the Problems*, Rob McCutcheon, 22 February 1992.

Inflation

Area	Consumer Price Index (1990=100) Mar 1992	Annual rate of inflation (% increase over 1 year) Mar 91 - 92
Cape Town	127.9	16.9%
Port Elizabeth	126.5	14.6%
East London	126.8	15.5%
Durban	125.4	15.1%
Pietermaritzburg	129.0	17.7%
Witwatersrand	128.5	16.3%
Vaal Triangle	123.5	13.2%
Pretoria	125.9	14.1%
Klerksdorp	126.8	14.5%
Bloemfontein	122.5	14.2%
OFS Goldfields	126.2	14.4%
Kimberley	125.9	16.0%
South Africa	**127.3**	**15.7%**

Source: Central Statistical Service

Inflation

Area	Consumer Price Index (1990=100) Apr 1992	Annual rate of inflation (% increase over 1 year) Apr 91 - 92
Cape Town	130.1	17.0%
Port Elizabeth	128.5	14.4%
East London	128.6	16.0%
Durban	127.0	15.1%
Pietermaritzburg	130.8	18.0%
Witwatersrand	129.5	15.4%
Vaal Triangle	124.7	12.9%
Pretoria	128.2	15.5%
Klerksdorp	128.5	15.0%
Bloemfontein	124.0	14.9%
OFS Goldfields	127.9	14.2%
Kimberley	127.1	15.5%
South Africa	**128.9**	**15.6%**

Source: Central Statistical Service