

New words in the South African economics dictionary

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Introduction

Given that the South African state faces an economic crisis of a structural nature it is not surprising that new buzz words have appeared in the language of the government and the bosses. These words include deregulation, informal sector, privatisation and black economic empowerment. It is necessary to see beyond the words and find the hidden meaning.

Traditionally state and capital have sought to make a distinction between the economic life and the political life of the working people by emphasising economic activity at the exclusion of political expression. Even more so today, the idea is to give workers the impression that those who cannot prosper have only themselves to blame, especially as new avenues, previously closed to the majority of South Africans are now being opened.

However, the existence of oligopolies (big business tolerating competition only from equals) would exclude a disproportionate number of black aspirants from the mainstream economic system. This would imply

that they will have to fight each other for a place in the marginal economic activity, euphemistically called the informal sector. The Soweto taxi market is an example.

To improve their lot the working people need a government that can articulate their needs by providing some form of state assistance. Historically, those who have had political power, have used it effectively to change their economic position - for example, the Afrikaners took control of the state machinery to serve their own interests in 1948.

However African people do not have means to express their political aspirations other than through those structures prescribed by the existing government and therefore rejected by a majority of South Africans.

The other side of the coin is that those who have had economic muscle have used it to gain political power. Again South Africa abounds with such cases. This was especially true of 'English' capital, and epitomised by Cecil John Rhodes. He amassed a vast amount of capital from South Africa under the protection of the British

crowns and in turn used his acquired wealth to gain political influence. Any form of effective political or economic power that the oppressed African masses have is acquired by labour unions and consumer boycotts respectively. The former is now being curtailed through the new Labour Relations Act and the latter is illegal under the State of Emergency.

Despite the fact that the majority is deprived of basic social amenities, the state is using new strategies to shift its responsibility to individual citizens. This is to say that the state is looking for market solutions where they are inappropriate. Poverty and abject deprivation of social needs like housing, medication, schooling, and recreation facilities cannot be addressed by the market mechanism because it has a different world view to that of the poor. That view is dominated by the profit motive.

Deregulation and freer markets

Deregulation, according to its advocates, will bring freer markets, more jobs, increased productivity and therefore more wealth and its distribution. Markets, it is argued, are distorted because of the laws and regulations that govern the South African economy. Examples that are mentioned are minimum wage requirements set by the Industrial Councils and wage determinations for different industries.

Minimum wage requirements, they assert, overprice labour and employers would be unwilling to employ

more workers at prevailing market prices.

Deregulation on the other hand, as defined by the Removal of Restriction on Economic Activities Act of 1986 will empower the State President to suspend laws which he may conceive as impeding economic development or competitive markets. There are four Acts which have been affected by this deregulation:

- the Labour Relations Act (exemption from the Industrial Council Agreements)
- the Wage Act of 1957 (exemption from wage determinations)
- Basic Conditions of Employment Act of 1983 (exemption from regulated hours of work and overtime that may legally be worked)
- the Machinery and Occupational Safety Act of 1983 (relaxing strict safety standards in the industry where there are serious occupational hazards).

It goes without saying therefore that deregulation could prove to be a return to industrial barbarism for workers.

What the deregulation laws do not say is that where there are no laws and regulations governing conditions of employment, workers become subjected to the whims of their employers. Farm and domestic workers are already in this situation. Stephen Mononye, for example, a farm labourer, was kicked to death by two farmers who suspected him of stealing cattle. They had no evidence that he was guilty. Stephen was one of many victims.

Deregulation and the informal sector

Deregulation implies that those laws which inhibit the smooth running of the market should be removed. This would mean, for example, that hawkers would be free to trade without licences. This suggests that many unemployed workers will be attracted to sell goods and services which can range from legal activities like selling peanuts, shoe-shining or driving taxis, to illegal activities such as shebeen-ing, gambling (fah-fee) and taxi pirating.

What is not explained is that this sector is prone to cyclical variations of the economy. Hence during an economic recovery more and more people will enter the formal sector and during a recessionary period, they will have to enter the informal sector to supplement their incomes (known as moonlighting).

A survey by Co-ordinated Marketing and Management (Pty) Ltd in 1986, found out that 40% of its respondents had done informal work while they were formally employed. This suggests that the informal sector is dependent on the formal sector. Generally the trend in the informal sector is that it cannot survive very well without the existence of the formal sector. It is a fallacy to argue that the informal sector creates jobs on a scale that could substitute for the formal sector.

It is hard to imagine that people can buy taxis to engage in trade if they have not worked hard in the for-

mal sector. Firstly, they have to save by working in the mainstream economy before they can get their economic 'independence'. Secondly, it is difficult to believe that those who are shoe-shining can create wealth and employment with the meagre incomes that they get.

The precarious but critical position of the informal sector is well outlined in the Sanlam Economic Survey of April 1989, p10:

"...the economically active population increased by around 2.8 million between 1980 and 1988, whilst only 600 000 job opportunities were created in the entire formal sector. If this situation continues, the gap between the economically active population and employment by the formal sector will widen every year.

The South African economy clearly has a structural problem as regards the creation of sufficient job opportunities in the formal sector. An increasing number of people will therefore have to be accommodated by the informal sector."

The promotion of the informal sector is a further indictment on the failure of the state and capital to create jobs and hence further investment. This crisis cannot be attributed to the disinvestment campaign (Mike Sarakinsky, *SALB*, Vol 14).

Deregulation and subcontracting

Through deregulation, it is argued, big corporations will not have the monopoly of producing manufactured

goods. Instead the small business man will have the opportunity of sharing in this market. Implicitly jobs will be created for the unemployed. Lengthy licensing procedures will be done away with.

Once more, what is not put across is that small manufacturers will depend on those big corporations for their market. Small scale manufacturers in the townships will be forced to accept the prices offered by big companies? They will in all likelihood have a single buyer for their commodity, with the added result that they will have little control over the price of the final product. They will subsidise big business through being low cost producers (low rentals, low advertising costs and low wages).

This low cost production also means long hours of work with no protection from trade unions. Likewise, the reduced need for big companies to keep full-time employees, will further reduce their costs in "benefits" such as pension funds, sick leave, etc.

Interestingly enough, Anglo American Corporation spent more than R1,1 million on small business in the first three months of 1989. In this way they have been able to save between five and ten percent on contracts by subcontracting (*The Star*, 24/04/89). It is in the nature of the dependency of small business on big business that only the latter party will benefit from such transactions.

In the case of the Kew deregulation project, Stephen Gelb (WIP, No. 56/57) established that in the end Rand Barlow was the ultimate benefi-

ciary of the project; furthermore, only negligible jobs were created in the process by the small business enterprises that popped up in Kew.

Deregulation and job creation

It cannot be doubted that deregulation will create jobs, but the quality of jobs is also an issue that needs to be examined. If wealth is to be created in the black communities, it certainly cannot come from the type of marginal economic activity mentioned above. Skills and education are minimum requirements for the creation of wealth. In South Africa, the provision of skills is a political variable; the whiter your skin, the more is spent on your education (SA Race Relations Survey 1987/88).

Privatisation and class division

Privatisation is intending to shift away from government any of its obligations towards its citizens (see *Labour Bulletin*, 14.3). All initiative will supposedly be left to the individual, and individuals who fail to provide for themselves social goods like medicine, schooling, housing and related goods and services, will have to make do with those poor services that the state still provides. For those who are able to provide for themselves, there will be private schools, private hospitals and private housing of relatively high quality.

The strategy is to divide society fur-

ther into those who can afford quality services and those who cannot. By such a strategy, state and capital are hoping to create a new consciousness among the new black power elite in the townships which will preclude them from identifying with the aspirations of the rest.

At the same time it will create a sense of envy amongst those who lack the power and ability to achieve those status symbols. If adverts on SABC-TV are anything to go by, status symbols are easily acquired by anyone who seriously engages in the system, and furthermore, they suggest, the existing political system can provide for all.

Conclusion

The link between privatisation and deregulation is that both are aimed at dividing black people into an elite with high-paying jobs and access to decent services, and a mass of lowly-paid, unskilled workers and unemployed.

It is not trivial to say that state and capital are hell-bent on maintaining the status quo with some degree of respectability. In their attempts to divorce economic life from political life, state and capital are pushing what one may call economism.

They want to create the belief that all individuals, and workers in particular, are only concerned with bread and butter issues. The Minister of Defence recently said that "people are concerned with their economic livelihood - only 10% care about politics."

Needless to say, unions do bargain for more than just wages. On their agendas, they now put housing, pension and provident funds as some of the issues that affect their members. As far as possible, the unions will continue to address these needs on the workers' terms, and not allow management to use workers' rights in a divisive way.

Wage demands will however top the list for a long time and the major battles will continue to be fought over wages. The living wage campaign is fought out in the context of almost nil support for the unemployed, the old and the sick. At present wage levels, even those working can usually not afford housing and social security after attending to more immediate needs.

The struggle for a living wage should unify workers in their fight against exploitation and the poor living conditions that permeate their lives. This struggle should also expose the emptiness of these new buzz words.

What does "Black Economic Empowerment" mean to workers when their rights are emasculated by the new Labour Relations Act?

These issues are taken up and debated by unions and their membership, so as to anticipate management strategies, rather than to simply react. However, unions face continual assaults from management and the state, and resources are stretched to the limit. One thing is clear: there has never been a stronger case for working class alliances and solidarity than now. ☆