

**TRADE UNION REACTION TO PRIVATISATION: THE  
CASE OF THE CONGRESS OF SOUTH AFRICAN  
TRADE UNIONS**

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## **DECLARATION**

I, the undersigned, hereby declare that the work contained in this assignment is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

## ABSTRACT

The assignment examines the policy positions of the Congress of South African Trade Unions (COSATU) on restructuring and privatisation.

The assignment's theoretical point of departure is found in the work of Levitsky and Way (1998). Levitsky and Way (1998) examines the alliance between a political party and its labour ally in the context of neo-liberal economic reform. The context is usually a political party that has come to power with the aid of a powerful trade union federation. The authors are interested in establishing if the party-union alliance would be sustained if the political party embarks on drastic economic reforms that have the potential to undermine trade union federations. The two cases that are investigated are Poland and Argentina, because in both these cases, a political party has been swept into power with the aid of a powerful trade union federation. Against the background of neo-liberal economic reforms, both trade union federations initially supported the economic reforms. In the medium and long term however, labour defected from the alliance in Poland, whereas the alliance was sustained in Argentina despite the enormous costs to workers.

Levitsky and Way (1998) then posit a number of material and institutional factors that explain both the initial convergence and the later divergence between the two test cases. The factors that are included in this framework are social linkages, party strength, leadership overlap, union competition and the degree of autonomy from either party leadership or the rank-and-file. These factors are hypothesised to explain the policy positions and behaviour of the trade union federation. It is this theoretical framework, which will be tested to establish if the framework permits enough conceptual leverage to explain the past and present policy positions of COSATU on privatisation. These factors have been given prominence because of its actual bearing on the status of the alliance relationship. The present study will therefore be using these factors of the framework, and barring one exception, it will be conceptualised in the same way.

The second component of the study is to use the *South African National Opinion Leader Survey of 1997/98* to study the actual attitudes and opinions of COSATU leaders on a range of privatisation issues. The survey is going to be used to determine if there is any degree of continuity between formal congress resolutions and the attitudes of COSATU leaders in the survey. This is also an indirect way of verifying the ideological loyalty of leaders to the official positions of the trade union federation. The second question returns to the alliance relationship by examining differences, if any between COSATU and ANC leaders on privatisation related issues.

Factor analysis is used to build two indexes, namely a "privatisation index" and a "gear index." An interesting finding from the data is the relatively greater policy cohesion amongst COSATU leaders. These results permit speculations that do not necessarily indicate an imminent breaking up of the alliance, but rather continued discussions with possibly various policy compromises by COSATU and the ANC.

## OPSOMMING

Die werkstuk ondersoek die beleids posisie van die Congress of South African Trade Unions (COSATU) oor herstrukturering en privatisering in Suid Afrika.

Die werkstuk se teoretiese uitgangspunt word in die werk van Levitsky en Way gevind (1998). Hierdie skrywers ondersoek die alliansie tussen 'n politieke party en sy arbeids vennoot in die konteks van neo-liberale ekonomiese hervorming. Die konteks is 'n politieke party wat aan bewind gekom het met die steun van 'n kragtige vakbond-federasie. Die skrywers wil vas te stel of die party-vakbond-alliansie sal voortgaan wanneer die politieke party drastiese ekonomiese hervorming aanpak wat die potensiaal het om vakbond federasies te ondermyn. Twee gevalle, naamlik Pole en Argentinië word ondersoek. In albei gevalle het die regerende politieke party aan bewind gekom met die hulp van die vakbond federasie. Teen hierdie agtergrond van neo-liberale hervorming het albei vakbond federasies in Pole en Argentinië aanvanklik die proses gesteun. Gedurende hierdie tydperk het vakbonde in Pole weggebreek van die alliansie, terwyl die alliansie in Argentinië ten spyte van die groot koste vir die werkers voortgesit was.

Levitsky en Way (1998) verskaf 'n aantal materiële en institusionele faktore wat die aanvanklike samevloeiing en die latere uiteenvloeiing in hul twee voorbeelde kan verduidelik. Die faktore wat in die ontleding gebruik word is sosiale verbindings, partysterkte, leierskap oorvleueling, vakbond kompetisie en outonomie van of party leierskap en gewone werkers. Volgens die skrywers se hipotese sal hierdie faktore die beleidsposisies van die vakbond federasie verklaar. Dit is hierdie teoretiese raamwerk wat in die studie gebruik word. Daar word gepoog om vas te stel of hierdie raamwerk genoegsame konseptuele reikwydte het om COSATU se privatiserings beleid te verduidelik.

Die tweede komponent van die studie is die gebruik van die *Suid Afrikaanse Nasionale Menings Opname van 1997/98*. Dit word gebruik om die houdings en die opinies van COSATU leiers oor n breë spektrum van privatiserings kwessies te ondersoek. Die doel is om vas te stel of daar enige graad van kontinuïteit tussen formele kongres resolusies en houdings van COSATU leiers bestaan. Dit is ook 'n manier om die "ideologiese getrouheid" van COSATU leiers te verifieer. Tweedens word daar teruggekeer na die alliansie verhouding deur die verskille tussen ANC en COSATU leiers betreffende privatiserings verwante kwessies te ondersoek.

Faktor ontleding word gebruik om twee indekse te bou, naamlik 'n "Privatiserings indeks" en 'n "Gear-indeks". Interessante bevindinge wat dui op 'n groter beleidskohesie by Cosatu-meningsvormers as by ANC-meningsvormers kom na vore. Na aanleiding van bogenoemde model word daar gespekuleer dat hierdie meningspatrone nie noodwendig op 'n uiteenval van die alliansie dui nie, maar eerder op voortgesette gesprekke met verskeie beleidskompromisse by Cosatu sowel as die ANC-leierskap.

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## **DEDICATION**

This project is dedicated to the memory of Pieter Wildeman.

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## CHAPTER 1: PRIVATISATION AND ITS COMBATANTS

### 1.1 INTRODUCTION

The South African industrial and labour landscape is enveloped in a battle about the restructuring of state assets and in particular the contested issue of privatisation.

The recent standoff between labour and the state parastatal Spoornet over retrenchment proposals has brought to the fore trade union reaction to privatisation in its various guises (Grawitzky, 1999; Lambert, 1999). Organised labour has threatened mass action if its proposals are not going to be given serious consideration. In another much-publicised situation, local public sector trade unions in Johannesburg are in vociferous disagreement with the Johannesburg Metropolitan Council (JMC) about the latter's plan to privatise and corporatise some of its functions. The JMC has decided in a policy called **Igoli 2002** to sell the Johannesburg Stadium, Metro Gas and the Rand Airport (Xundu, 1999; Xako, 1999). There are also plans to get private companies to manage the public transport system and the Johannesburg zoo.

One of the interesting aspects of this situation is the fact that the African National Congress (ANC) dominated Metropolitan Council is not willing to deviate from the mentioned policy plans (Xundu, 1999). A councillor of the Johannesburg Metropolitan Council who had publicly spoken out about the policy was suspended as the ANC's chairperson in the northern sub-region. The Johannesburg Council's labour relations specialist said that unions should not confuse the issues of policy, the council's right to govern and labour relations (Xundu, 1999). The chairperson of the ANC in Johannesburg has echoed the same point of view, and it would appear as if the concerns of the South African Municipal Workers' Union (SAMWU) are going to be settled through mediation. These two situations offer dramatic evidence of the state of relations between the labour unions and the ANC government.

In both these instances, trade unions are calling on the various employer organisations to honour the agreements of the National Framework Agreement (NFA) (Msomi, 1999). The NFA is an agreement, which emanated out of discussions that were held between organised labour and government on the restructuring and the privatisation of state assets. The Spoornet trade unions are accusing the management of Spoornet of using the NFA to convey decisions of management, instead of following the processes

laid out in the NFA (Msomi, 1999). SAMWU, in its battle with the Johannesburg Council is alleging that the Council does not follow the NFA, which provides for the public sector as a preferred provider (Xako, 1999). It was not so long ago when some labour commentators and SAMWU were arguing for the abandonment of the NFA, because it was interpreted as binding the unions to privatisation (Ray, 1997: 11; van Driel, 1998: 61). Ray (1997) interprets the NFA as the abandonment of transformation as envisaged in the Reconstruction and Development Programme (RDP), and an acceptance of the gradual privatisation programmes. Van Driel (1998: 62) states unequivocally that unions that are bound to the NFA are promoting privatisation, and cites the existence of union investment arms as evidence of this position.

These criticisms levelled against the NFA are not restricted to the trade unions alone. The Democratic Party (DP) has urged government to scrap the NFA as it only slows down the restructuring and privatisation process (Ensor, 1999). Adding to this complexity, the Congress of South African Trade Unions (COSATU) has called for the re-negotiation of the NFA to prevent politicians and the managers of parastatals abusing this instrument (COSATU, 1999). The point that is given limpid expression to in the instances above is the essentially contested nature of the privatisation process. Contestation of the privatisation policy has its primary roots in the fact that no significant role player is absolutely certain about the socio-economic results of the privatisation process.

Organised labour's most important concerns are the fear of job losses and lack of service delivery (Chotia, 1999). The Secretary-General of the South African Communist Party (SACP), Blade Nzimande said that the sale of state assets would fail to improve the living conditions of the people in South Africa. He advocates an activist state that would deliver "an all-round development offensive" meeting the needs of ordinary people (Chotia, 1999). The Minister of Public Enterprise has also expressed similar concerns about the negative consequences of restructuring and privatisation.

Jeff Radebe, the Minister of Public Enterprises said that government still has to make a decision whether to take the privatisation process to its full consequences (Chalmer, 1999). This has come out most clearly in the recent Spoornet saga when the department's spokesperson said that government has yet to take a final decision on the retrenchment of workers (Grawitzky, 1999). The Deputy-President of South Africa had raised similar concerns when he noted that an overhaul of government's economic policy would not be a painless process. This change, the Deputy-President ascribed directly to the change in the ANC's policy framework (Haffejee, 1999). The article reports that the Deputy-President had apparently been rebuked for his candour. Alec Irwin, the Minister of Trade and Industry has said that the restructuring policies will result in short-term pain, but will eventually end up in long-term gain. Labour is increasingly drawing fire to oppose the privatisation policies, because they argue that most of the government's macro-economic initiatives have not produced the desired results (Horton et al., 1998: 16). These commentators are referring to the increasing unemployment rate, reduced stable capital inflows and an ailing gross domestic product.<sup>1</sup>

Government's macro-economic framework, the Growth Employment and Redistribution policy (Gear) has been systematically attacked by the trade unions as lying at the roots of the economic problems. The argument is that the ANC has wilted from the pressure of the World Bank and the International Monetary Fund, and accordingly changed its policies to that of Gear and privatisation (Harvey, 1999). The National Labour and Economic Development Institute (NALEDI) has shown that the Gear policy has virtually failed in every major respect, and that there is a need for a new macro-economic framework (Harvey, 1999). It is difficult to establish if this is

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<sup>1</sup> **Real GDP** growth declined from 4.2% in 1996 to 0.5% in 1998. From 1998 to 1999, the year on -year growth is only 1 per cent. This is below the average 3.3% projection of Gear. **Unemployment:** due to the cyclical changes in 1996, non-agricultural employment declined by 1.7% in 1997 and 3.7% in 1998. This is also far from the 6% employment growth projection of Gear. **Net Capital Inflows:** We are still dependent on portfolio capital inflows. Net inflow for 1998 was R20.3 billion against the R46.7 billion for first three quarters in 1999. Foreign direct investments still show a net outflow of R6.5 billion in 1998 and R3.3 billion in first three quarters of 1999. The economy is not yet attracting significant long-term stable capital flows (South African Reserve Bank, March/December 1999).

one of the reasons why the government has moved cautiously in the implementation of the privatisation policies. The same author argues that the recent wage dispute and the Spoornet saga can be traced back to Gear (Harvey, 1999). Gear as an economic policy, demands that both the public service and the state owned enterprises must become more competitive, and therefore resulting in plans to retrench workers. The current premier of the Gauteng, when still secretary-general of COSATU, has attacked Gear for its inability to create jobs and for the fact that it imposes restrictive fiscal and monetary policies (COSATU, 1997). These conflicts have had a definite bearing on the alliance between organised labour and the ANC-dominated government. Haffejee (1999) says that the alliance between the ANC, COSATU and the SACP will not fall apart as the latter two partners are seen as needing the ANC. According to Haffejee (1999), policy directions will still be fought within the tripartite alliance.

The retrenchment of workers in the public sector, and specifically the state parastatals is viewed by COSATU as a corollary of government's macro-economic policies.<sup>2</sup> The federation believed, then, that ministers in the cabinet are taking most of the policy decisions. At its latest special congress, COSATU came out strongly in support of the alliance. This strategic affirmation is important because it emphasises the sharing of a common vision and objectives as crucial for the **alliance** relationship (COSATU, 1999). The labour federation still seems to think that the drive for the restructuring and privatisation programmes comes from individual ministers disconnected from alliance structures. The affirmation of the alliance effectively calls for a strengthening of the traditional democratic structures in the organisations.

The labour federation wants the decisions of individual ministers to be scrutinised by a newly formed alliance structure, and this in itself reflects the deep distrust of current tendencies in ANC leadership. The alliance relationship between the ANC and

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<sup>2</sup> Public sector unemployment is put at between 170 000 and 370 000 jobs lost in the period 1994 to 1999, Roberts, A. (1999) "Spare us from the collective twaddle" **Financial Mail**, 21 May 1999. Total unemployment is estimated at between 30-40% of the workforce. From March 1996 to March 1999, with the exception of the wholesale and retail traders, all sectors have suffered job losses (Horton, 1999). Figures from Horton (1999) are based on Statistics South Africa's databases.

COSATU is vital in the context of the ANC government's drive to speed up the privatisation programme. There are indications that the Public Enterprise ministry plans to introduce legislation detailing a new legal framework that will regulate all state owned enterprises (Chalmers, 1999; Block and Soggot, 1999). Any tensions in the relationship will be reflected in the willingness of labour to acquiesce in the decisions of the government. Fundamental differences are likely to lead to a lack of consensus on all the major privatisation issues, and this would negatively impact on the ability of government to implement these programmes. In most of the discussions about restructuring, commentators have constantly indicated that the fortunes of these programmes are inseparable from the present state of the alliance relationship.

In order to conceptualise the alliance relationship, the next section will examine a theoretical framework that proposes certain variables impacting on the alliance relationship. The implicit assumption is that a sound relationship facilitates the acceptance of harsh restructuring decisions.

## **1.2 THE DYNAMICS OF LABOUR BACKED ADJUSTMENT**

It is impossible to derive policy outcomes from economic cleavages and interests alone without a consideration of the institutional context in which groups operate (Haggard and Kaufman, 1995: 7).

In their investigation of the factors that impact on the party-union relationship, Levitsky and Way (1998) focus attention very strongly on institutional factors as well. Their argument in brief suggests that during the initial period of reform, labour acquiescence must be understood as a product of social linkages, shared identities and networks of close personal ties. They argue that social linkages may explain short-term processes, but it is not sufficient to sustain labour-government co-operation over the long haul (Levitsky and Way, 1998: 172). In order to explain why some alliances succeed, while others fail, they focus on elements of the political and institutional context in which trade union leaders operate.

These factors are (1) the strength of the governing party; (2) the level of union competition; (3) organisational overlap between union and party, and (4) the autonomy of the leadership from party and the rank and file (Levitsky and Way, 1998: 172). Levitsky and Way (1998) examine each of these factors in the context of Poland, Argentina and Spain.<sup>3</sup>

The 1989 elections brought labour-backed parties into power in Argentina and Poland. Both these powerful trade unions federations were unwilling to oppose the initial economic reforms. President Menem immediately slashed public spending, deregulated the economy, privatised state enterprises, liberalised trade and introduced flexible labour market policies. His government also banned strikes in a wide range of public services, encouraged decentralised bargaining and relaxed union control over insurance and pension schemes. The new Polish government towards the end of 1989 dismantled central elements of the state-run economy, eliminated price controls, cut the public budget, and drastically reduced subsidies and trade barriers. Important for the workers, the Polish government enacted strict wage control levels and attacked centralised collective bargaining in favour of direct negotiations with regional unions.

In both Poland and Argentina, the initial reforms imposed very high costs on the working and the poor. In Argentina, in the period between 1988 to 1995, 300 000 public sector jobs were lost, real wages were squeezed and public sector and industrial unions' membership was destroyed by 50%. In Poland, both the gross domestic product and real wages declined in 1990/91, and in less than two years, unemployment rose from near zero to 11.6%. In 1994, the real unemployment figure surpassed 16%.

It should be remembered that both the Argentina General Confederation of Workers (CGT) and Solidarity union (SU) were very powerful as their showdown with hostile governments has shown. These anti-labour policies devastated large segments not only of the union membership, but it also imposed hardships on both the employed

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<sup>3</sup> The reference is to Levitsky and Way (1998) unless otherwise indicated.

and the unemployed. In spite of these policies the bulk of labour in Poland and Argentina supported the ruling party. The bulk of the CGT-union campaigned for the *Partido Justicialista* (PJ) party in the 1991 legislative elections. A pro-market intelligentsia came to power in Poland in 1989 and Solidarity union immediately called for a moratorium on all protest and strikes to allow the new government to settle in (Levitsky and Way, 1998: 175). The initial support for these anti-labour policies is explained on the basis of **social linkages**, shared social networks and common identities. In Argentina, a Peronist political identity remains strong both among union leadership and the rank-and-file membership. The existence of strong personal relationships between trade union federation and party had been forged during periods of shared adversity and struggle against military rule. These personal relationships facilitated material exchanges between Menen and key union leaders. In Poland there were strong social linkages between the Polish intelligentsia and the working class during years of opposition to the Communists.

The relationship developed in the 1970s under the auspices of the Workers' Defence Committee. This organisation established by the intelligentsia co-ordinated fundraising and assisted workers who were persecuted for strike activity. When the newly elected Polish government introduced the neo-liberal economic reforms, strikes were called off in response to appeals of civic responsibility (Levitsky and Way, 1998: 179). Solidarity union leaders saw this as responsibility towards their constituencies and the country as a whole. A similar scenario is evident in Spain where the Spanish Socialist Workers' Party (PSOE) and the General Workers' Union (UGT) faced common adversity in the difficult Franco years (Gillespie, 1990: 48).

After the election of Gonzalez into power, UGT accepted that economic adjustments and restructuring were unavoidable if the economy were to be put on a sounder footing. The union had to pay the price of wage restraint and the reduction of excess labour. Levitsky and Way (1998) note that in all these cases, the long years of co-operation between party and union appear to be critical in the union's acceptance of initial government economic reforms. It however remains a fact that the alliance between party and union lasted in Argentina, but it fell apart in Poland and Spain. Levitsky and Way (1998) argue that the alliance must be situated in an **institutional**



**and organisational context** that provides other, more material incentives to co-operate. It is upon these factors that we focus our attention now.

The first factor is expounded in the following way:

*“A strong governing party and the absence of a viable political alternative for labour can be expected to encourage continued union co-operation”* (Levitsky and Way, 1998: 182).

The point that the authors make is if labour's allies are likely to remain in power in the medium term, then union leaders will face a choice between co-operation and political isolation. Labour is therefore less likely to pursue opposition strategies if they are unable to spoil the governing party's electoral chances. Defection in this case means forfeiture of political, material and organisational benefits. If on the other hand, the governing party is electorally vulnerable, opposition strategies are more fruitful. In Poland, the elections of 1990/91 revealed the Polish government's weak base of support.

The leader of the Solidarity government, Mazowiecki came third behind the labour leader Walesa and an unknown candidate. During 1991, the main Post-Solidarity party received 12% of the vote against the 5% of Solidarity party. Furthermore, polls that were conducted at the time showed high levels of dissatisfaction with economic reforms, and when the party split into several different parties, Solidarity union was weak and isolated and faced severe competition from more radical unions. In these circumstances, they had few reasons to continue its support of the reform programme. Argentina on the other hand is an example of party success.

The PJ party won four successive elections since Menen took power in 1989. An alternative party, FREPASO emerged in the 1995 elections, but the bulk of the labour movement and working class voters remained with PJ. The very strength of the PJ party and the potential costs of defection dissuaded almost all these voters to remain in the party.

The second factor deals with the level and intensity of **competition** that labour faces:

*“Labour competition encourages the defection of unions aligned with a governing party”* (Levitsky and Way, 1998: 183).

The existence of more radical unions makes co-operation with devastating economic reform more difficult. The issue is that unions must work harder to maintain its members. Solidarity had to contend with two unions, namely OPZZ, founded by the Communist Party, and a splinter union, Solidarity '80, a union that actively opposed the neo-liberal economic reforms. OPZZ refused to obey the moratorium on strikes called by Solidarity. The competitive environment at the plant level meant that agreements made with one union could be challenged as selling workers short. Solidarity union therefore sat with members it could no longer completely control, and its calls for moderation were rejected.

The CGT unions in Argentina face less competitive pressures because Argentinean law permitted the existence of one official recognised labour federation (Levitsky and Way, 1998: 183). A new union that strongly opposes the neo-liberal programme of the Menen regime was found, but indications are that it will not effectively compete with CGT in the near future. The absence of severe competition creates the possibility that the exchange between party and union leadership can continue undisturbed, and this has an enormous moderating influence on the behaviour of unions.

The third factor deals with the **degree of organisational fusion or overlap** that exists between party and the union:

*“To the extent that unions are effectively integrated into the party leadership, labour should defect more slowly from the governing alliance”* (Levitsky and Way, 1998: 184).

Union leaders who are integrated in the party structures are hypothesised to have a stake in the governing party's success. This would mean that union leaders are more likely to favour co-operative strategies. If union leadership is poorly integrated into

the party system and structures, union leaders would see their interests as **distinct** from the party, and here defection is more probable. The high initial overlap between party and union in Poland declined after 1989. This low degree of party institutionalism and fragmentation of the party system led to a system where Solidarity union had its own representatives in parliament. Argentina by contrast has a situation where the entire CGT leadership belongs to the PJ party, and many union leaders held, are still holding positions and have aspirations to hold positions in the party or in parliament. Levitsky and Way (1998) write that although the union presence in the Peronist government were relatively low, organisational and leadership overlap continue to exert a moderating influence on the union's strategy.

The fourth factor affecting the destiny of the party-union relationship is **union leadership autonomy from party and the rank-and-file:**

*“Union responses to labour-backed adjustments are likely to be shaped by the degree to which the privileges, positions, and power of labour leaders hinge on either the discretion of government leaders or rank-and-file support”* (Levitsky and Way, 1998: 184).

If the trade union federation is dependent on government for its financial survival, legal recognition, intervention in industrial relations and access to the state, unions are more likely to toe the official line of the state. If that same power is derived from the support of workers on the shop floor, defection from the alliance is a greater possibility. In Spain, the unions derive three quarters of its finances from members' fees. This organisational independence from the PSOE party is counted as one of the reasons why the distance has developed between party and union (Gillespie, 1990: 55).

Solidarity union leaders are much more dependent on rank-and-file support than on party and government support (Levitsky and Way, 1998: 185). With the collapse of communism, the new Polish leaders did very little to institutionalise the exchange between government and the unions. The democratic structures of Solidarity

encouraged it to seek support from the rank-and-file, and so when the pressures came to defect, Solidarity had little incentives to stay in the alliance. Argentina witnessed low levels of union democracy and a reliance on party and state resources. It would appear that there is a prioritising of the party-union relationship when the union's dependence on the state is acute. A very small percentage of the main trade union federation's income is derived from membership fees, and the government in Argentina uses this to discipline recalcitrant unions and to reward co-operative ones.

In conclusion, Levitsky and Way (1998: 187) argue that both social linkages and material-political incentive structures interact to shape unions' behaviour. Alliances that are purely built on social linkages are not sufficient to sustain initial levels of co-operation. The South African scenario, according to the authors will represent a test case of the relative importance of the various elements of their framework. In retrospect they leave the reader with the following statement:

*"... [In] the current period of global austerity and adjustment, unions may be in a better position to defend their interests when they are in opposition than when their political allies are in power"* (Levitsky and Way, 1998: 188).

In all of the above cases, it was the adoption of a new economic framework that caused the initial spats between the party and the trade unions. The new economic framework in both Poland and Argentina aimed at reducing the role of the state and to try and create more space for the private sector. Government employment as we saw, was one of the first casualties. Opposition to new economic policy was inevitably centred on unemployment concerns. The unbanning of the ANC and the South African Communist Party (SACP) in 1990 ushered in the tripartite-alliance between the ANC, COSATU and the SACP.<sup>4</sup> Prior to the 1994 elections, an extensive process

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<sup>4</sup> COSATU's national conference of 1987 represented an uneasy consensus when the federation adopted the Freedom Charter and acknowledged that unions had a role to play in politics (Buhlungu, 1995: 89). Buhlungu (1995) writes that this accommodation laid the basis for the tripartite alliance. The main question was not whether to support the ANC, but rather how to do it in a way that would benefit COSATU and the ANC. Copelyn, a member of the South African Chemical Workers' Union (SACTWU), expresses a different view when he argues that it is not clear whether the alliance between the ANC and COSATU will promote greater unity between unions. He also questions the tactics of

of consultation was started involving all the relevant constituencies of the three different organisations. The purpose of these consultations was to identify the most important social and economic needs in the various black communities in South Africa. The upshot of these consultations was the publication of the Reconstruction and Development Programme (RDP). This document conceptualised a very important developmental role for the new South African State, and it became the basis of the ANC's election campaign in 1994. Upon assuming power, the new government unveiled its first plans to restructure and to privatise the major parastatals as early as 1995 (Makgetla, 1995: 65). This was followed by the publication of the new macro-economic strategy Gear in 1996. The ANC's allies felt betrayed, because they were not consulted, and because the new policies were in their eyes a betrayal of the social and developmental role of the new state as laid out in the RDP.

The aim to understand the policy positions of COSATU on privatisation cannot therefore be separated from investigating the context and substance of Gear. Many of the differences between COSATU and government can be traced to their differences on Gear. What follows is a brief review of the most important principles of the Gear policy.

### 1.3 THE MAIN PRINCIPLES OF GEAR

The Centre for Research into Economics and Finance in South Africa (CREFSA) writes that the aim of Gear is to create a competitive, fast growing, employment-creating economy capable of achieving the goals of the RDP (CREFSA, 1996: 19). The growth rate of 3 per cent, then, was projected as unable to reverse the unemployment trends in the economy. CREFSA (1996: 19) reports that the framework is based on the co-operation of government, business and labour. The main components of Gear are the following:

- **A tighter fiscal stance**, which aimed at reducing the deficit to 4% of GDP in 1997/98, and projected to fall to 3% by 1999/2000 (Gear, 1996: 12).

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unionists who want to win greater influence in the ANC, because if this happens, then the electoral appeal of the ANC would be narrowed (van Holdt, 1991: 29).

- **Monetary and exchange rate policy:** The main target is the consistent reduction of inflation and the creation of the conditions for lower but positive real interest rates (Gear, 1996: 12). Encouraging exporters, where the idea is to provide for an effective exchange rate depreciation of 8.5%.
- **Trade, industrial and small enterprise policy:** An acceleration of the programme of tariff reductions was proposed. Other plans aimed at the development of small and medium sized firms and the development of industrial cluster support programmes (CREFSA, 1996: 20).
- **Public investment and asset restructuring:** state assets are to be restructured in terms of ownership and governance. A new policy regarding dividend payments to the fiscus was also spelled out. (Gear, 1996: 5). CREFSA (1996: 20) indicates that this programme stops short of announcing a large- scale privatisation programme. This strategy re-iterated government's chosen public-private partnership approach and the resulting preference for Strategic Equity Partners (SEP).
- **Employment, wages and training:** The main issues here were the promotion of regulated labour market flexibility and the promotion of productivity improvements aimed at skills development in both the formal and the informal sectors (CREFSA, 1996: 20).<sup>5</sup> The chief function of labour market flexibility was to prevent wage agreements from being extended to other industries and regions.
- **A national social agreement:** The Gear strategy is by definition a co-ordinated strategy in that it requires the co-operation of business, labour and government. It is interesting that the National Economic Development and Labour Council (NADLEC) had been established for this purpose, but it is difficult to speak of a national social agreement in South Africa.

The strategy to restructure state assets became one of the most contested issues between government and its alliance partners. CREFSA (1996: 20) warned then that this strategy required detailed co-ordination, and government was urged to deal with this potentially explosive situation carefully. Government and its alliance partners were locked in battle over this issue in spite of the bilateral agreement between it and

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<sup>5</sup> The upshot of these plans was the *Skills Development Act of 1998*.

organised labour. Retrospectively, with labour, established big business, and black business all involved, it is not clear if government was fully aware of the contradictory demands that its privatisation programme would unleash (Simkins, 1997: 8). It is against this background that this assignment will try and analyse the positions of COSATU on restructuring and privatisation.

#### **1.4 PROBLEM STATEMENT AND RESEARCH QUESTIONS**

The study that I am undertaking does not deal in essence with the fate or the destiny of the party-labour alliance, but the framework of Levitsky and Way (1998) will be tested to establish its relevance in South Africa. One of the central objectives in the study by Levitsky and Way (1998) is to identify the factors that impact on the behaviour and consequent policy positions of trade unions. These factors have been identified in the context of the alliance relationship and against the backdrop of the implementation of neo-liberal economic reform. The study that the present author is undertaking focuses on only one element of the neo-liberal economic programme, namely privatisation. This would not, however, seriously prevent the application of this framework, which originally is applied to neo-liberal economic reform per se.

The primary purpose of the study is to explain the positions and behaviour of organised labour on privatisation in South Africa. COSATU is in alliance with the governing party, and this, I would argue have serious implications for the federation's position on privatisation, which is an important sub-component of economic reform. The ultimate positions adopted by the federation cannot be separated from a consideration of the context of the alliance relationship as predicted by the five variables in the proposed theory. The potential explanatory power of all the factors in this theory will be investigated separately, as well as the usefulness of the framework as such. This will be followed by an analysis of the opinions of COSATU leaders and ANC leaders in the *South African National Leadership Opinion Survey of 1997/98*.

This study is therefore guided by the following questions:

***How well does the proposed theoretical framework explain labour's current policy positions and behaviour regarding privatisation?***

Levitsky and Way (1998: 176) are of the opinion that unions<sup>6</sup> do not always engage in action to expand their power, or perhaps to increase the wellbeing of its members. There are powerful historical and institutional factors that impact on their behaviour, thus making it difficult to precisely predict their position on economic reform. This complexity is multiplied when the researcher tries to understand the position and behaviour of the union within the context of an alliance relationship as is the case in Spain, Poland, Argentina, and of course South Africa. The guiding assumption is that there is nothing obvious in the position that these trade union federations took and are continuing to take on privatisation. Their policy positions and actions on privatisation must be conceptualised and clarified, and in answering the first question, one wants to know if this framework enables enough leverage to understand the current positions.

The five variables are specified in the following way to enable us to empirically verify its usefulness:

*Social linkages* can only be specified in a qualitative manner. The present author is dependent here on both the perceptions of ANC and COSATU members, as well as their respective position documents on the alliance relationship.

*Party Strength* is measured by the election results obtained for the political party. The official election results published by the Electoral Institute of South Africa (EISA) will be used.

*Union Competition* is measured by the existence of other trade union federations comparable in size and membership.

*Leadership Overlap* is specified as the degree to which union members are **effectively integrated into policy decision-making structures**. In spite of leadership overlap in Argentina, unionists do not determine the policy direction of the PJ party. The present author takes the view that absolute numbers do not provide us with a true reflection of

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<sup>6</sup> The term "union" refers to a trade union federation, which is the mother body of all the different affiliates. This is the meaning of the term throughout unless otherwise indicated.



the relative power of unionists in influencing policy decisions of the party or government.

*Balance of Dependence/Union Autonomy* is specified as the degree to which the union is dependent on government or its rank-and-file for its power and positions. Quantitatively, one simply determines if unions are financially self-sufficient.

The purpose of this question is to test the **overall** explanatory power of the theoretical model of Levitsky and Way (1998). It is for this reason that no formal propositions are presented for the separate factors in the model.

***Do the policy positions of COSATU find expression in the attitudes and opinions of its leaders in South Africa?***

This question essentially traces the official policy positions of COSATU on privatisation to its manifestation in the empirical data. The empirical data on the opinions of labour leaders are found in the *South African National Leadership Opinion Survey of 1997/98*. Does a consideration of the formal resolutions adopted at labour congresses enable the researcher to meaningfully interpret the data? The emphasis would be on both similarities as much as differences between the congress hall and survey research. The brief introduction of the problem suggested differences within the union, but it has not revealed major caprice in the position of union leaders. The implicit assumption is therefore that there are very few factors that would lead to a mutation of a position from the congress hall to its expression in a survey.

**Proposition 1: An essentially negative or positive policy position on privatisation will translate into a similar negative or positive opinion and attitude in the *South African National Leadership Opinion Survey of 1997/98*.**

***Are these opinions or attitudes of COSATU leaders significantly different from ANC leaders?***

The mere fact that we are considering the position and behaviour of unions in the context of the alliance-relationship opens up the possibility of tension between the two partners. There is enough evidence that has been introduced in the opening part of the chapter to suggest differences. There is also evidence that COSATU is not united

on the issue of privatisation. When COSATU at its CEC meeting in 1996 accepted some form of partial privatisation, the larger unions claimed that they were the architects in the shift in policy. Public sector unions were interpreted as more recalcitrant to restructuring exercises (Gebhart, 1996). COSATU (1999) on the other hand seems to argue that many leaders in the ruling party are not accountable enough to their constituencies and the internal structures of the alliance. The latter allegation broaches the notion that there might be resistance to the very policies of the ANC within its own ranks. This particular question therefore attempts to establish the empirical manifestation of differences between the party and the union, and differences within party and union on privatisation. Although there is evidence of splits in both party and union, most of the battles have been fought between the governing party and labour. This leads me to propose the following:

**Proposition 2: Differences are more likely to manifest between party and union, rather than differences within the respective organisations.**

*What is the future of privatisation as understood from the perspective of the proposed framework?*

This is the predictive part of the study. What is the future not only of the alliance relationship, but more importantly, how will the unfolding alliance relationship impact on actual privatisation programmes? Will privatisation be shelved, or is there going to be an acceleration of the pace of these programmes? The important point to register here is that the alliance relationship will determine the pace of progress on privatisation. A positive relationship would be one where the alliance partners express a steadfast willingness to find common ground on the contested issues.

**Proposition 3: If there is a positive relationship between party and union, then privatisation is going to be expedited. If the relationship is negative, ensuing obstacles will slow down the pace of privatisation.**

## 1.5 KEY CONCEPTS

The framework of Levitsky and Way (1998) explains the fate or the outcome of the relationship between party and union. The outcomes of the party-labour alliance in Poland and Argentina are described as either “sustained co-operation” in Argentina

and “early defection” in Poland. The South African scenario has not reached the stage of defections, and this therefore requires the researcher to transpose the terms and outcomes to effectively describe the **dominant position** that labour adopted on privatisation. The present author is proposing the following two terms, namely “sustained co-operation” and “opposition.”

### **Sustained Co-operation**

*“This refers to the willingness of unions to engage government on privatisation issues with the primary purpose of ameliorating the potentially negative consequences of privatisation.”*

The key assumption is that when unions indicated their willingness to negotiate with government on restructuring and privatisation, they must have been aware that retrenchments were a real possibility. Unions’ behaviour is interpreted as distributing the social costs of privatisation over a longer period, and to discuss alternative employment possibilities with employer organisations for those workers to be retrenched. This definition does not rule out the possibility of strategic criticism of government’s privatisation programme. Such criticism deals with procedure that employer organisations need to follow in initiating restructuring programmes, or it can be accusations that employer organisations are violating the letter and the spirit of formal agreements.

### **Opposition**

*“Opposition to privatisation is defined as the principled rejection of privatisation as the most efficient way to restructuring state owned enterprises.”*

The key assumption is that unions are of the opinion that there are other approaches available to deal with ownership or efficiency concerns in state owned enterprises. This definition does not imply that unions are principally opposed to restructuring per se, but the contestation is essentially about privatisation’s claim to be the most effective and efficient tool.

For purposes of consistency, the proposed study will adopt the following concepts as they are defined in the National Framework Agreement (NFA):

**Privatisation**

Privatisation refers to the policy of converting public ownership of an asset to the private sector, or permitting the performance of a certain activity, hitherto carried out by a state owned enterprise, by a private sector business (NFA, 1996).

**Restructuring**

Restructuring refers to substantial changes as they affect ownership and control, accountability, function and location of state assets (NFA, 1996).

**State Owned Enterprises**

Also referred to as public enterprises or parastatals, which provide goods and services. The state is the controlling or sole shareholder and acts as steward of these aspects on behalf of all South Africans (NFA, 1996).

**Commercialisation**

Commercialisation refers to a state corporation, which operates on a cost recovery basis in the market place (NFA, 1996).

**1.6 Methodology**

The inquiry will be structured into two main parts. The first part would be an attempt to assess the usefulness of the proposed theoretical framework in explaining the past and current policy positions and behaviour of COSATU. Particular attention will be focused on the disagreement between the governing party and union on the macro-economic policy, Gear. This analysis will scrutinise the official policy positions adopted by COSATU and the kind of action it engaged in concerning privatisation.

The second part of the inquiry will deal with the *South African National Leadership Opinion Survey of 1997/98*. This is a secondary data source that was carried out to test a broad range of attitudes among opinion leaders in South Africa. A secondary data source is by definition data that had not been collected by the present author. The

primary purpose of the mentioned survey was therefore not merely aimed at assessing the opinions of the elite on privatisation. The present analysis, however, is going to focus specifically on the attitudes of both labour and party on privatisation. The data analysis will try to establish whether the policy positions of labour are reflected in the concerns that COSATU leaders are expected to express on Gear, unemployment, privatisation and nationalisation.

The data analysis is also going to try and establish if there are significant differences of opinion between party and union on privatisation. Finally, the analysis would focus on differences within party or union, if any.

## **1.7 Chronological Order of the Chapters**

### **Chapter 2**

This chapter will be divided into three parts. The first section will briefly examine the experience of privatisation in developing countries. Both general privatisation issues and the specific labour-party dynamic will be reviewed. The second section of this chapter will look at the history of privatisation in South Africa. Attention will be given to the aims and the results of the then privatisation programme. The final section is going to deal with privatisation in the post-1994 era. Detailed attention will be given to the way COSATU responded formally and politically. The unfolding debate between COSATU and the government will be discussed within the proposed framework of Levitsky and Way (1998). Finally, an assessment of the usefulness of the framework and its ability to elucidate the policy positions and behaviour of COSATU will be made.

### **Chapter 3: Methodology and Data Presentation**

The data analysis will focus on differences within both party and union, and of course differences between party and union. This part of the inquiry is going to be a *quantitative* analysis of the attitudes of party- and union leaders on privatisation as expressed in the *South African National Leadership Opinion Survey of 1997/98*.

**Chapter 4: Discussion of Data**

This chapter will provide a more detailed and in-depth analysis of the data presented in chapter 3. The two questions on whether the official positions of the unions are reflected in the opinions of its leaders and the difference between the ANC and COSATU will be tackled. This chapter will also attempt, on the basis of the assessment of the theoretical framework and the data analysis, to speculate on the direction of the future of privatisation in South Africa. Attention will also be paid to the main outcomes of labour's position on privatisation i.e. are we going to see more "co-operation" or "opposition"?

**Chapter 5: Conclusion**

This chapter will summarise the main findings and engage with the most recent developments regarding privatisation. Attention will also be paid to questions for future research on COSATU and privatisation.

## CHAPTER 2: PRIVATISATION AS A POLICY

### 2.1 The Experience of Privatisation in Developing Countries

The impetus behind neo-liberal economic reform in the United Kingdom and the United States of America has been to redefine the scope of the state, to dislodge it from the preponderant positions, and to confine it to clearly circumscribed limits (Spulber, 1997: 101). (See also Esser, 1988; Ward, 1993; Foster, 1993).

Spulber (1997: 101) argues that a very similar approach has been advocated for the developing economies of the world, although the latter faced unique problems. The disintegration of the Soviet Union, where a number of difficult policy decisions had to be made, represents a good example of the dilemmas in the developing world. The Soviet Union had to choose between a “shock-therapy” that meant rapid price liberalisation and privatisation and a “gradualist” process of preliminary legislative and restructuring measures (Spulber, 1997: 105). The difficulty of accepting the shock therapy is that many of the states in transition are not strong enough to deal with the instability that unemployment brings.

It eventually chose the route of mass privatisation, which basically meant the availability of vouchers that could be traded for shares. One of the results of this privatisation process had been the establishment of what is known as *nomenklatura* capitalism (Spulber, 1997: 120). This is simply the fiefdom that was left behind with the disintegration of the Soviet Union, and with the advent of privatisation programmes, they were fortunate enough to have the wherewithal to purchase these vouchers.<sup>7</sup> With the newly formed Russian government unable to assert true control from the centre, many regions ran their own programmes with the result that the pace of privatisation varied considerably. In most of the privatised industries, management and workers made deals to keep outside investors out of the enterprises, and so

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<sup>7</sup> A good exposition of the problems that have been encountered in Russia with privatisation can be found in Fortescue, S. (1994) “Privatisation of Russian Industry” *Australian Journal of Political Science* 29: 135-154

instead of initiating popular capitalism, the old guard took control again. The rapid transformation of the Russian economy brought with it a number of negative economic and social trends. In 1995, the Russian gross domestic product was only 50% of what it was in 1989 when the economic reforms began (Spulber, 1997: 174). Poverty levels steeply increased and this led to social tensions that hindered the pace and the extent of reforms. Currently, the projections are massive long-term unemployment, and the author argues that the transition needs to focus on labour-intensive projects to stimulate employment. Spulber (1997: 187) concludes by saying that for many countries in Eastern Europe, privatisation is no longer the final solution, because the new regimes are not able to cope with the economic uncertainties of economic reform. A political process that aimed at undoing the foundations of the erstwhile communist system drove the privatisation process in the Republics of Czechoslovakia and Slovakia (Shafik, 1995: 1143).

The purpose of the privatisation exercise was merely to affect massive transferrals of state property to private individuals. This meant that little or no restructuring of the state owned enterprises was undertaken. There were no attempts by the two governments to restructure the enterprises financially or to shed labour prior to it being sold (Shafik, 1995: 1144). Many of the high priced privatised firms in the Republic of Czechoslovakia had relatively small, but very productive labour forces. There were thus fewer problems with redeployment in the event of restructuring exercises. Shafik (1995: 1155) notes towards the end of the book that in spite of their governments' intentions to popularise privatisation, most of the shares ended up in the hands of institutional investors.

This experience has been found in many other countries, and the author asserts that "mass privatisation" is merely a political ploy by governments to get the consent of the people. Pinheiro and Schneider (1995: 752) argue that fiscal crises are one of the most important reasons why governments in the developing world are intent on privatising. The argument is that privatisation is seen as part of the fiscal solution, because it frees up resources that have been devoted to the monitoring and controlling of state owned enterprises. They argue that in developing countries, fiscal crises accompanied privatisation, but post-hoc analyses have shown little direct fiscal



contribution. The Chilean government started its privatisation programme as early as 1973, and after the completion of two phases, they reduced state owned enterprises from a total of 596 to 48 state enterprises. The purpose of privatisation was to cut personnel, de-emphasise a non-commercial focus, and to expose state enterprises to the same market rigours as private companies. The initial phases were very successful and the state owned enterprises contributed handsomely to the surplus on the gross domestic product and transferred taxes and dividends equal to 7.8% of GDP.

With the economic crisis of the 1980s, many of the privatised conglomerates in Chile were re-nationalised. The advent of the third and fourth phases of privatisation made revenue generation from privatisation proceeds less important. The goals were now that of diversifying ownership, developing capital markets and reducing the public debt (Pinheiro and Schneider, 1995: 757). The important point that Pinheiro and Schneider (1995) make is that revenues from privatisation became significant only after 1986 when expenditure had already declined. Pinheiro and Schneider (1995) say that in comparison, privatisation in Brazil in the 1980s was very slow. This was due to the restructuring of state owned enterprises' debt to the government, curbing investments and current expenditure, and the imports of the enterprises.

President Collor had during 1989 expanded the privatisation programme to traditional state owned enterprises, and the authors say this effort is likely to be extended to public utilities, transportation and communications. The fiscal adjustment that the Brazilian government had to make came mostly in the form of contracting investments to the state enterprises. Investment to the state owned enterprises declined from 4.9% of GDP in 1980/82 to 1.9% in 1989/91. The Brazilian government mostly used the proceeds from privatisation to reduce the public deficit. Privatisation, according to the authors had little impact on fiscal balance and macro-economic stability. Closer to Southern Africa is the experience of Ghana, which in the eyes of many commentators represent the quintessential example of successful

economic adjustment in Africa. Lall (1995: 2024) indicates that in the World Bank's assessment, Ghana is considered to be the most advanced country in Africa in terms of removing trade barriers. Privatisation of the state owned enterprises ranks as one of the country's finest achievements. Many of the state owned enterprises operated in the manufacturing sector, and it is in this sector that the World Bank made part of its assessment. Lall (1995) says that the World Bank recorded growth of 4.5% for the period 1987-1991. The decision to open the local markets to international competition meant declining levels of output and growth in the manufacturing sector from a high of 5.1% to 1.1% in 1992. The state owned enterprises that were operating in the manufacturing sector did not have the technical ability to compete with mostly first world countries.

One of the problems that Lall (1995) identifies is the inability of the manufacturing sector to diversify, and to use the advantages of cheaper labour in Ghana. Added to the woes of the industry was the fact that the manufacturing sector has not developed additional technical abilities to compete effectively. There were absolutely no policies to upgrade skills, nor any mention of technical information and support to boost the ailing production. The important point to take away here is that if privatisation does not consider the issue of technical transfer, then you have literally a transfer of poverty, and not genuine property. Lall (1995) cautions in the end that structural adjustment programmes must be pursued more gradually and with greater control, strategy and involvement by government.

Di Tella (1992: 28) makes the point that in Chile and Brazil, there was always a champion of the neo-liberal economic reforms, but that this was prevented in Argentina as a result of the Peronist political tradition. It took the government of president Menen and the technical artifice of Covoallo to turn Argentina to these policies they once rejected. The author says that privatisation is proceeding fast and that there is no real political force that genuinely opposes it. Both the radicals and the Peronist trade unions are said to be in two minds about the process, and with the resounding electoral successes, it appears as if resistance to privatisation has completely disappeared. Di Tella (1992: 29) says that those unions that were fundamentally opposed to privatisation failed to garner the protest vote partly out of

disunity and to the hesitancy of discontented Peronistas to break away. One of the reasons why the trade unionists do not want to break away is of course for reasons of material and political benefit (Levitsky and Way, 1998). The privatisation process in Poland represents perhaps the most fascinating account of the evolving battles between government and labour. Kloc (1992: 139) said that at the end of 1989, most people in Poland were willing to swallow the bitter pill of economic reform. The turn came in the period 1990/92 when the social attitudes of most Polish people began to change dramatically.

Strike activity in this period was the most visible manifestation of this discontent, and it occurred in the state railways, mining and the local inter-city transit system. These workers were all in a privileged position, and so when the reforms began to make a serious impact, they protested heavily. The focus of the strikes was the austerity programmes that the government implemented in the state owned enterprises (Kloc, 1992: 141). The government's main intentions in the state enterprises were to lower production costs, alter the production profile and cut the personnel. Restructuring of the state owned enterprises was supposed to take place at the plant level, but management and workers pulled together against the government.

Management was hesitant to carry through the massive lay-off, and this in large guaranteed the peace between management and the workers. The first strikes in the privatised plants took place in 1991 and so demolished the myth that privatisation would cure all the firms' problems and make the wages of workers rise (Kloc, 1992: 144). Strikes were continually directed at those firms that were in the process of restructuring and involving massive job losses. The author notes that the most important battles were fought about the allocation of costs of economic restructuring and the distribution of resources left from the old regime.

Workers have apparently succeeded in highlighting the blight of unemployment whom workers feel had been neglected in the privatisation exercises (Kloc, 1992: 148). The unions in Poland are currently entangled in two models of behaviour for unions, the so-called grievance and the participatory model (Marciniak, 1992: 150). The former model simply refers to the confrontational demand to redress grievances,

while the participatory model sees the unions as dialoguing with government on privatisation. The author criticises the participatory model because the unions were refused the opportunity to help in the determination of the pace and direction of economic reform. Marciniak (1992: 155) does not necessarily argue against privatisation, but he accuses the unions of lacking specific positions on this contested issue. The author indicates that there is a huge amount of state property that still has to be distributed, and the future of privatisation depends on how this property distribution takes place. He argues that the result of privatisation can either be the empowerment of a few individuals, or it can lead to a society dominated by the middle class.

The fact that the main unions have not even thought about how a legal framework should be developed to benefit ordinary people, is a vivid reminder of the current double bind of so many unions in Poland. It appears from this short review of the experiences of developing countries that there were a number of unanticipated consequences of privatisation. The scourge of unemployment and the attendant social tensions that accompany this loom very large for prospective privatisers. Dhanji and Milanovic (1991: 47) argue that many of these countries, especially those in the former communist block lacked a legal framework in which privatisation could take place. In most of these instances, constitutions had to be amended to allow for private property, commercial laws had to be updated, and competition legislation had to be introduced.

There were also questions about the ability of undeveloped local capital markets to absorb the new trading in shares. In terms of the South African situation, many of these concerns are not present as a result of our good banking and financial infrastructure. There is however a lack of formal legislation, and the Minister of Public Enterprise's recent statements point to the introduction of laws to guide the privatisation experience in South Africa (Chalmers, 1999). In order to develop a proper perspective on the current privatisation situation in South Africa, it is necessary to revisit the short history of privatisation prior to 1994.

## 2.2 A BRIEF HISTORY OF PRIVATISATION IN SOUTH AFRICA

Privatisation's introduction in the South African context called up the same arguments that were used in the international context, namely a reduction in the scope of the state's involvement in the economy.

The centrepiece of policy in the old dispensation was the *White Paper on Privatisation and Deregulation in the Republic of South Africa, 1987*. The White Paper offered a classic analysis of the over-burdening role of the state, and its tendencies to dominate economic life at the expense of the private sector. The statistics tell a story of its own; in 1985 the public sector's contribution to the GDP was 38.1% of which the central government's consumption expenditure contributed 26% of that figure (White Paper, 1987: 4). Government was also responsible for using most of the net savings of the country. In terms of all net investments, 63.7% had been channelled to the public sector and only 36.3% to the private sector in the period 1970 to 1984.

The White Paper argues that the then fast growing population of South Africa put enormous strain on the public sector and causing it to expand (White Paper, 1987: 1). The key problem was that the public sectors were managed as political units and not commercially where the main criterion is of course return on the capital invested. The economic considerations were that a sizeable state sector has never been exposed to the discipline and rigours of the market and price mechanism. This then became the basis for the definition of privatisation in the White Paper:

*“Privatisation means the systematic transfer of appropriate functions, activities or property from the public to the private sector, where services, production and consumption can be regulated more efficiently by the market and the price mechanism”* (White Paper, 1987: 8).

It is difficult to assess what the government intended in general to exclude from the possible list of privatised state enterprises. The only indication was that certain functions, which were closely related to the public interests and that, required

compulsory performance by state officials could not be privatised (White Paper, 1987: 11). We do know that five state owned enterprises were earmarked for privatisation, namely the South African Transport Services (SATS), Iron and Steel Corporation (ISCOR), Electrical Supply Commission (ESKOM), FOSKOR and the Post and Telecommunication Service (Saayman, 1989: 24). It is not clear if certain functions like water provision and health were included in the potential list of privatised functions. This lack of clarity is not necessarily dispelled by the following proviso:

*“[Privatisation of a function or activity must] not defeat the constitutional, social or ecological objectives served by a function or activity...”* (White Paper, 1987: 11).

The interesting aspect of the policy on privatisation was that the government, unlike many of its counterparts in the developing world, conceived of the importance of restructuring before a sale is undertaken. Another unique feature of the White Paper was that the government confronted retrenchment fears, and it appears as if it wanted at all costs to avoid retrenchment as a result of privatisation. The White Paper repeats the point that retrenchment of government personnel must be kept to a minimum. This turned out to be a politically expedient ploy, as the present author will show when we will review some of the results of the privatisation programme. This ties in with the views of Fine (1997: 23) who says that the huge state corporations have been built up as a strategic element in securing the apartheid regime against the threat of international sanctions.

Other aims that are mentioned are the provision of infrastructure, economic support to large-scale private capital, and jobs for working class Afrikaners. Fine (1997: 23) argues that in the middle 80s, there was a shift to privatisation policies to provide in the regime's short-term funding as a result of the international debt freeze of the 80s. The privatisation was also seen as removing ownership and control of significant state assets from a future democratic government. There were various reactions to the White Paper and most of the contributions focused on the proceeds of the proposed privatisation process. Gouws (1989: 13) argued strongly against the use of the privatisation proceeds for future public sector projects. His arguments were that if

privatisation was meant to reduce the role of the state, then private sector savings should not be used to finance the continuing dominance of the state sector. The state at that time had been pressured to invest in infrastructure in the black communities, and the author was of the opinion that the private sector had to be involved. This would have been a way for the private sector to increase its share of profitable fixed investments. The gist of Gouws' argument was that the proceeds from privatisation should go into the redemption of government debt. Gouws (1989) does not seem to have any concerns about unemployment and the equitable distribution of social services that other economists grappled with. It is interesting to note in this regard that SATS and ESKOM were very reluctant, circa middle eighties, to get involved in the delivery of non-commercial services (Wallis and Truu, 1990: 248).<sup>8</sup>

One of the main reasons for the reluctance was that both public utilities were deficit-ridden, and tried to take decisions on a purely commercial basis. This looks suspiciously like the roots of the corporatist approach championed by TRANSNET today. Saayman (1989: 26) argued that feasibility studies were necessary to determine the impact of privatisation on competition, the public interests and social welfare. The author also raised the question of health services and argued that it constitutes a grey area, as there were so many people who could not afford basic healthcare (Saayman, 1989: 30). Brand (1988: 245) believed that the proceeds must be spent on the redemption of public debt, the creation of capital funds for small businesses and investment in infrastructure in the black community.

According to Brand (1988: 245) the privatisation programme had to be assessed on its ability to increase the efficiency of the economy, and whether it succeeded in achieving its distribution goals. Davis (1991: 170) argues that the shortcomings of the public provision of electricity were linked to the market structure and lack of competition. According to the author there would have been few reasons for ESKOM

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<sup>8</sup> Incidentally, SATS converted into a company, named Transnet in 1989/90 with five separate divisions, namely railways, road transport, ports, pipelines and airways.

to remain in public hands, but there are also few reasons to alter its ownership. In a similar fashion, questions are raised about equity and access in the wake of privatisation (Cloete, 1986: 91). Most economic analyses of privatisation regard the retrenchment of workers as a necessary evil, and yet, nowhere in the analysis of the economists discussed above, are there an endorsement of this view. They both endorse the view that the state should take all steps to ensure that members of staff are accommodated somehow. Truu (1988: 265) focused on the importance of developing competitive markets in the aftermath of privatisation. The author remarks that private sector spokesmen always welcome free markets, but they rarely call for competitive markets. The author had foreseen that a successful privatisation programme would increase the number of new corporate taxpayers and contain state expenditure via reduced subsidies.

Much of the predictions that these economists had made turn out to be far from the consequent economic realities. Five years after the privatisation programme, many of the key targets of the privatisation policy had not been realised. Reducing the involvement of the public sector in the national economy essentially entailed cutting government's consumption expenditure. In 1993, government's consumption expenditure was still relatively higher than that of the private sector. Current expenditure to GDP grew from 17.4% in 1980 to 28.9% in 1993/4 (South African Reserve Bank, 1996). This figure is made worse by the fact that while current expenditure was steadily increasing, capital expenditure declined constantly in the same period. Brand (1988: 256) complained that the imbalance between domestic savings and investments on the one hand, and the declining ability of the economy to create jobs on the other hand were major reasons for the privatisation policy.

Employment in the private sector declined by 11.7% in the period 1989 to 1994 at an average of 2.5% annually (South African Reserve Bank, 1996). The stated intention of the privatisation policy was to move factors of production to the more productive private sector to encourage allocative efficiency. One of the consequences was a major public investment slowdown, and it is argued that the falling parastatal investment contributed to the severe recession of 1989 to 1993 (Makgetla, 1995: 69). Parastatal employment plummeted over the same period. Transnet, Telkom, the Post



Office and Eskom accounted for 20% of the job losses, yet collectively they represented only 5% of national employment. Van Driel (1998: 33) says that the restructuring drive between 1985 and 1996 meant that up to 60% of labour in the traditional state owned enterprises had been shed. The promise that the then government made to retain as many jobs as possible has simply not held. The present author interprets this promise of the old government as an attempt to pacify its constituency in the state enterprises.

It is therefore not surprising that the current ANC government has to deal with the same dilemma, because many of the public sector unions are in the tripartite alliance.<sup>9</sup> There are speculations now that the government had plans to restructure Spoornet before the 1999 election, but only revealed this after the election out of fear for the political repercussions (*Business Day*, 09 July 1999). The next section will therefore deal with the current privatisation after the announcement in October 1995 that the government intends to privatise some of the state owned enterprises.

### **2.3 PRIVATISATION IN THE POST-1994 PERIOD**

The purpose of this section is to explore the most important dynamics that played itself out after the 1994 elections, and to put the proposed theoretical framework to the test. Specific attention will be paid to the problems of restructuring, and the evolving tussle between the government and the labour federations on the direction of the restructuring programme.

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<sup>9</sup> Public service unions constitute 37% of total membership in COSATU. This is followed by the manufacturing sector 27.9% and mining 15.3% (Grawitsky, 1999). The main public sector affiliates in COSATU are the National Education Health and Allied Workers Union (NEHAWU), 231 825; South African Democratic Teachers Union (SADTU), 210 509; the Police and Prisons Civil Rights Union (POPCRU), 59 145, and the South African Public Service Association Workers Union (SAPSAWWU), 14 318 (COSATU, 1999).

### 2.3.1 UNFOLDING DYNAMICS IN THE POST-1994 PERIOD

Government announced a six- point plan to transform the public sector on 29 October 1995 (Makgetla, 1995: 65). One of the points raised in the announcement concerned the restructuring and the privatisation of government assets. The purpose of this exercise was to raise much needed revenue and to further the aims of black economic empowerment. Since the announcement, a range of problems has been experienced in the restructuring and privatisation of state enterprises, and it is to these issues that we turn our attention to now. Dexter (1994: 33) argues that the labour preferential policy created structural problems in terms of the management of state enterprises. This meant that managers were chosen not so much for their managerial acumen, but for their loyalties to the apartheid regime.

The result was reduced efficiency and an unresponsive staff who only answered to their political superiors. The author argues that is erroneous of political commentators to suggest that the remedy for this problem is a reduction in the size and the scope of the state enterprises. He argues that the future public service needs to be larger than the enterprises maintained in the apartheid regime. Dexter (1994) therefore foresees a concomitant drop in the size of central government relative to government in the provinces.<sup>10</sup>

The Public Enterprise Ministry encountered a number of obstacles on its way to privatise. Sigcau, the past Minister of Public Enterprise had on numerous occasions asked the major role players to move beyond the sterile opposition of state against the market. The then Minister linked privatisation explicitly with productivity and increased efficiency, but she was unable to unlock the competing interests in the government of national unity (*Weekly Mail and Guardian*, 24 November 1995). Members of the ANC and the Inkhata Freedom Party (IFP) were apparently opposed

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<sup>10</sup> Roberts (1999) believes that the private sector can deliver a public service like water more effectively and far cheaper than the state. There is one point in the article where the author almost sounds a celebratory note regarding the public sector job losses. Dikgang Moseneke, although then, not yet a convert of privatisation, noted that Telkom would not hold a monopoly forever, and the implication of restructuring and privatisation is faintly present here (Callaghan, 1995).

to the idea of black economic empowerment. She had to contend with the divided government on the one hand, and the claims of unions on the other hand that privatisation is going to mean job losses (*Weekly Mail and Guardian*, 24 November 1995). Dexter (1996: 8) says that although the National Framework Agreement has laid down principles, there has been little progress in re-defining the strategic orientation and direction of the state enterprises. He argues that inasmuch as the right of the public sector is upheld in the NFA, many officials in government are of the opinion that the public sector is not the best place to deliver important services. The ability of the private sector to deliver the much-needed goods is questioned as he points out that there is also evidence of mismanagement in the private sector. Dexter (1996: 11) seems to be of the opinion that state enterprises need to be subjected to the pressures of the product and capital market without necessarily privatising.

In questioning the inherently superior status of the private sector over the public sector, Dexter (1996) would be supported by a body of research that argues that there is little evidence to prove this (Kay and Thompson, 1986: 22; Domberger and Piggot, 1986: 150). Adelzadeh (1997) argues that state owned enterprises are not performing well because of poor investment decisions, inappropriate pricing policies, managerial impediments, political interference, and the incompatibility of civil service with commercial operations. One of the inhibiting problems in this field is the dire lack of capital, and it is a known fact that after GEAR, many state enterprises would have to find alternative ways of raising capital.

Adelzadeh (1997) recommends that privatisation should not necessarily be seen as the only way to improve the position of the state enterprises, that participation of trade unions should be encouraged and that a cautious sectoral approach to privatisation be followed. Wackernagel (1997) says that the problems of the government's privatisation programme do not so much relate to the pace of the programme, but more so to the thinking that guides it. The author argues that business has complained about the impediment unions present as enshrined in the NFA. The business environment could not predict if government is interested in strategic alliances, the retention of a golden share or if the whole operations are going to be sold off? The

author argues that the feeling amongst business people was that Sigcau did not have the strategic answers to these questions. Chalmers and Grawitzky (1999) argue that there are perceptions that government privatisation programme is moving too slowly, and that the programme is mismanaged and hampered by labour. Government also seems to evince an inability to explain the complexity of the process and the myriad of obstacles that it faces. The authors question the notion that labour was thus far that most important impediment, and point out that at local government, unions have eagerly participated in privatisation. The problems they identify are lack of clarity on the details of the programme, mismanagement of Aventura and the Alexcor deals, and the lengthy delays in the eventual privatisation of the concerned state enterprise.

Implicit in this statement is the repetition of the fact that business is incapable of reading government's commitment to privatisation. The example of mismanagement is the sale of Aventura where the successful bidder, Kopane ke Matla, the investment wing of COSATU has not come up with the money. This has resulted in mounting job losses, a demoralised staff and top managers resigning (Chalmers and Grawitzky, 1999). Another recent example of restructuring is the case of Spoornet where transformations plans have already been presented to the mother company Transnet to turn around the rail company's financial misfortunes (Chalmers, 1999). The main problem seems to be Spoornet's continuing operations on many unprofitable lines where major losses in the freight volumes were recorded. The managing director Saki Macozoma said that 40% of the network is not viable, and that restructuring of Spoornet will have major implications for labour.

This short review of the problems of privatisation has indicated some of the important role players. We will now examine some of their concerns as well as the way in which government responded. Already in 1994, prior to the announcement of state asset restructuring, pressure was put on the Minister of Public Enterprise by business and economists to privatise to raise funds for the Reconstruction and Development Programme (Gqubule, 1994). Commercialisation of the state enterprises and the empowerment of black entrepreneurs were then high on the priority list of government. Kenneth Clarke, Britain's Chancellor of the Exchequer said that the

selling off state assets would solve the problem of under-investment and output expansion in the public sector (Wackernagel, 1996). The argument that was put forward was that South Africa does not have the tax base to finance huge capital outlays, and that international investment would fill this gap. The United States Under-secretary, Eizenstat also criticised government for the slow pace on privatisation (Wadula, 1999). His main argument was that the silverware of the state enterprises would be better managed when in the hands of the private sector. Privatisation, according to this top United States official would provide the treasury with tremendous foreign capital, and for these funds to be used in education, infrastructure and health care. The recently held World Economic Forum in Durban said that urgent policy changes ought to be made in areas such as privatisation and the regulation of the labour market (Smith, 1999).

Government was roundly criticised for approaching privatisation on a case-by-case basis, and it called on government to fundamentally commit itself to privatisation. Government's response came by way of President Thabo Mbeki who indicated early this year that government is going to establish an international investment council, speed up privatisation and review some of the labour laws (Paton, 1999). The Minister of Public Enterprise Jeff Radebe also responded by announcing a range of measures that government intend to implement. The Ministry plans to sell R170 billion in state assets by 2004 (Block and Soggot, 1999).

Some of the new plans are the privatisation of the state forestry Safcol, and smaller assets such as Abakor, the state abattoir operations and some of the national park interests. The Minister of Public Enterprises said that the first five years of the ministry laid the foundation for the speeding up of the privatisation process. He indicated that the government needs to increase capacity and improving skills on the Public Enterprise department (Kobokoane, 1999). Part of this new programme is the designing of a new legislative blueprint for the privatisation programme that would outline the rules for both local and international players. Radebe said that the top priority is to accelerate the pace of the programme by creating a legal framework that would erase doubts about government's commitment to privatisation (Chalmers, 1999).

The new framework will be applicable to all enterprises owned by the state. The aim of the restructuring programme has as its main objective the transformation of the state enterprises from cost centres into commercial businesses. Particular attention is going to be given to Denel to enhance its role in the military procurement package. In outlining the new privatisation programme, the minister cautioned that full-scale restructuring would involve major job losses, and that there are going to be negative social and economic consequences. It is indeed the fear of retrenchment that drove unions to question the logic of the restructuring and privatisation drive of the government. The NFA was signed on 7 February 1996 as an agreement between government, COSATU, National Council of Trade Unions (NACTU) and the Federation of South African Labour Unions (FEDSAL).

The agreement was made in the wake of the protest of organised labour and what it saw as the job-shedding implications of restructuring. The NFA determines that labour should participate in policy formulation, and that every effort should be made to prevent job losses (NFA, 1996). It also states that where job losses are inevitable, the affected state enterprise should put forward a social plan to cushion the shock of retrenchment. Other measures include the re-deployment of workers between the different state enterprises and the restructuring of the pension and the provident funds. The NFA is reminiscent of the White Paper on Privatisation in 1987 in that both involve sensitive dealing with important labour constituencies.

The NFA evoked various responses from the different role players and it is instructive to review some of the reactions. Sections of labour called on the unions that are bound by the agreement to withdraw from the NFA, because the latter binds the unions to privatisation (Ray, 1997: 15). This call came in particular from the South African Municipal Workers' Union, which by virtue of the fact that it is a local union, is not bound by the NFA. COSATU (1999) on the other hand has called for a renewal of the NFA to enable the federation to re-negotiate a fresh new set of principles on restructuring with government. The political parties, and chiefly the Democratic Party has called on government to ditch the NFA, because unions are using it to hamper privatisation (Ensor, 1999). Labour analysts and unionists say that between the period

1985-1996, 60% of labour in some state enterprises had been shed (van Driel, 1998: 33). In addition the Democratic Party leader, Tony Leon and Jeremy Cronin of the South African Communist Party estimate that the last five years saw between 300 000 and 500 000 jobs lost in the South African economy. It is estimated that 370 000 of the jobs lost, were in the public sector (Roberts, 1999). The South African Airways (SAA) has shed 1064 jobs since 1998 in the company's build-up to partial privatisation (Chalmers, 1999). Before the restructuring process, SAA employed 11 000 people and a study that was commissioned by Andrew Coleman suggests that 3000 people need to be retrenched. Spoornet's financial woes have forced it to retrench redundant workers in the rail parastatal. Spoornet's falling freight volumes and the stagnant nature of the South African economy have pushed the losses of the enterprise to between R100 and R500 million.

Speculations were abounding early in this year that job losses in the restructuring exercise at Spoornet could be as many as 18 000 jobs (*Weekly Mail and Guardian*, 08 July 1999; Chalmers, 1999). Organised labour criticised Spoornet plans to retain only the profitable lines, and giving independent operators access to loss-making or marginal lines (Grawitzky, 1999). Labour has proposed that Spoornet package both the productive and the unproductive lines and opening it up to competitive bidding processes. Labour argues that Spoornet did not allow for the inflow of external capital or provide for competitive bidding processes.

Similarly, TELKOM plans to streamline its operations through a programme of retrenchment, outsourcing and cost containment (Grawitzky, 1999). By May 1999, 2 500 applications for voluntary early retrenchment have been received of which 2 100 have been approved thus far. It is estimated that TELKOM plans to shed 11 000 jobs (Lambert, 1999). Most recently, TELKOM has identified 5 700 employees who will face forced retrenchment and a further 2 600 jobs could be outsourced. In order to bring the total retrenchment figure to 11 000, TELKOM estimated that it could lose 200 employees a month (Grawitzky, 1999). The labour federation COSATU indicated that the recent wave of retrenchments is the most devastating in the history of South Africa with more than 50 000 jobs in question. It promised mass action to protest the

recent state of affairs and to raise the profile of the situation, because many of its affiliates indicated that some retrenchments are done quietly. Adelzadeh (1996) questions the almost exclusive reliance of GEAR on the private sector for investment, which in reality means the state's withdrawal from certain productive sectors of the economy. This reduction in the scope and size of the state lies at the heart of the debate between the alliance partners as they continue to squabble about restructuring and privatisation. Parastatals have begun to be dominated by commercial values and the hopes for subsidies to be increased to facilitate the access of the poor to utilities have been dashed (Bond, 1996: 27). The author argues that the opposition to GEAR did not so much come from SACP as such, but more from factions within the SACP and the Workers' Organisation for Socialist Action (WOSA) (Bond, 1996: 30).

There are many who believe that GEAR has not been efficiently implemented because it remains a contested policy inside and outside government (Grawitzky, 1999). Nkadimeng, a lecturer in the Sociology department at WITS University argues that prior to 1994, the ANC consulted its partners in civil society. After the election, both local, international business and international finance institutions have pressured the ANC to accept an essentially neo-liberal economic framework. Harvey (1999) argues that people should not expect so much from the ANC, because it was never a pure socialist party. Harvey (1999) argues that after the adoption of GEAR, the ANC had to balance the interests of the constraining market-driven GEAR and the huge social deficits inherited from the apartheid era.

Harvey (1999) states that the research of the National Institute for Economic Policy (NIEP) has shown that GEAR has failed in every major respect and that a different macro-economic framework is needed now. Harvey (1999) argues again in a different article that the current disputes between the government and the unions on the public wage issue and Transnet can be traced to GEAR. In both of these cases, a fundamental shake-up of the public sector based on the prescriptions of GEAR is followed. Cronin (1997) argues that GEAR is ambiguous: on the one hand there is the NFA, which commits itself to the prioritisation of service delivery and job creation, and an enthusiasm for privatisation on the other hand. GEAR has from its



inception promised a 1.3-% growth in employment, but the realities showed that there was a 1.3-% decline in the jobs available. To date the following privatisation transactions have taken place: a sale of a 20% stake in SAA to Swissair, 30% stake in TELKOM to a Malaysian and an American company, and a 30% stake in the Airports company. In addition, nine radio stations have been sold, and 100 per cent of Sun Air was sold as well (Chalmers, 1999). The Post Office has secured a 10% management partnership with New Zealand Post International, and a further 10% of TELKOM is in the offing. Aventura has found a new management partner in Protea Hotels after the botched COSATU deal. The sale of South Africa's commercial forests is in an advanced stage, and the two concerns that are enjoying the attention now are of course Spoornet and Denel.

It would appear that the most important dynamics of restructuring and privatisation revolved around fears of retrenchment, the pace and direction of the privatisation programme and most importantly, on government's GEAR policy. Government has begun to position itself to deliver the first fully-fledged legal framework for privatisation, and yet at the same time, they are flirting with the possibility of an NFA II. This last statement neatly captures the strategic position that government took up in its dealings with organised labour. The existence of the NFA did not prevent it from pushing ahead with the privatisation programme.

All of these debates had an effect on the alliance between the ANC and COSATU, and this in turn shaped the response of the labour federation on restructuring and privatisation. We now need to consider the position of COSATU on privatisation, and whether the theoretical framework of Levitsky and Way (1998) enables us to understand the positions that the federation assumed.

### **2.3.2 TESTING THE THEORETICAL FRAMEWORK**

The framework will be tested and debated under five headings, which are incidentally the five variables in the framework. The theoretical framework has already been expounded in the introductory chapter, and we shall only capture the proposition associated with each of the variables.

### Social Linkages

The initial support that labour in Poland, Argentina and Spain gave to neo-liberal economic reforms is explained on the basis of social linkages, shared identities and networks of close personal ties (Levitsky and Way, 1998: 172). One would have to assume that these social linkages are sustained because the partners share not only ideas, but also physical and social space. These authors are of the opinion that a similar situation between the ANC and COSATU is present in South Africa. They argue that this is one of the factors that reinforce the alliance, and therefore implicitly moderate the behaviour of the trade union on the reform programme of the ruling party. What is the situation in South Africa?

COSATU reflects on the relationship in the following way:

*“Despite not being formally part of the Congress movement at its birth in 1985, COSATU developed a close association with the Congress movement from its inception. Conditions in the country dictated the need to go beyond bread and butter issues to embrace the national and class struggle. This perspective was formally endorsed with COSATU’s adoption of the Freedom Charter in 1987”* (COSATU, 1996).

The decision to become part of the tripartite alliance was decided at the federation’s 4<sup>th</sup> national congress in 1991. COSATU entered into this alliance with the knowledge that the alliance consists of **independent** organisations with independent structures for mandating and decision making. This relationship is given more content in the following statement:

*“The essence of the relationship is trust and the sharing of a common vision and objectives.”* (COSATU, 1999).

The descriptions above contain some of the essential elements for a basic understanding of the position of COSATU during, and after the struggle. Both the ANC and COSATU represented sections of the South African community that were denied basic human rights. COSATU's insertion into the political arena was almost inevitable, and so, also the need to seek out ideologically similar partners. It found

these likeminded partners in the United Democratic Front (UDF) and the ANC in exile. There is no evidence whatsoever that this common predicament led to the fusion of the two organisations, neither is the evidence compelling enough to suggest that COSATU was a “front” for the ANC. No better was this illustrated in the relations of party and union after 1994. The ANC on its part conceives of the relationship in the following way:

*“The tripartite alliance is therefore not a matter of sentiment, but an organisational expression of the **common purpose and unity in action** that these forces share, and continue jointly to define and re-define in the course of undertaking the tasks of the NDR.”* (ANC National Conference, 1997). [My emphasis]

On the surface, all these declarations seem to reinforce the idea of social linkages, but we should not forget that the **formal** “alliance” only started after the ANC and the SACP were unbanned in 1990. It therefore does not even begin to approach the one hundred-year-old alliance in Spain between the PSOE and the UGT. Connie September, vice-president of COSATU had been commissioned to do a report on the state and future of trade unions. The report reflects on the relationship between party and union in the following way:

*“It is a relationship shaped by deep historical links and common struggles, but it is not without its tensions and contradictions”* (September Report, 1997).

It is difficult to argue with the above statement, but it almost obscures the fact that COSATU was formed seven decades after the establishment of the ANC. The “deep historical links” that September refers to have developed in six years from COSATU’s formation in 1985 to the ANC’s unbanning in 1990. Finally, Patrick Lekota, the national chairperson of the ANC made more or less the same statement when he referred to the tensions between the ANC and its alliance partners (ANC National Conference, 1997). In terms of the original framework, the existence of these social linkages will facilitate and reinforce the alliance relationship.

A closer examination of the alliance relationship reveals a different story, and instead of talk of deep historical links, there are suspicions on both sides. Many people have claimed that COSATU was a “front” organisation of the ANC. The launching of COSATU was fraught with ideological tensions (Baskin, 1991: 49)<sup>11</sup>. Many of the new affiliates came from different political traditions, of which the congress tradition of the ANC represented one amongst many. An excellent example of the complex relationship between the ANC and COSATU had been the incident involving Jay Naidoo, the then secretary-general of COSATU. The latter was invited to address a World Council of Churches meeting in Zimbabwe when ANC members approached him.

Upon hearing this story, there was an outcry in COSATU that Naidoo did not have approval from the federation to meet ANC leaders. Certain factions believed that this incident furthered perceptions that COSATU was taken over by populism (Baskin, 1991: 74). The fact that Naidoo were to become an important ANC member after 1994 gives some indication of the complexity of party and union relationship. Reflecting on the relationship between COSATU and the ANC, Baskin states:

*“Some observers have mistakenly accused COSATU of being a puppet in the hands of the ANC and the SACP. In reality the process involved a dynamic two-way relationship. COSATU’s position on negotiations adopted at its 1989 congress was vital in the drafting of the Harare declaration”* (Baskin, 1991: 451).

The defence of the rights of workers meant that COSATU had to engage in political struggle in South Africa. Although it was never a substitute for the ANC, it also never took an anti-ANC position. The point of the discussion is to grasp the common historical objectives that COSATU and the ANC had in common, without giving in to notions that equate the two organisations. This is not to deny the common positions

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<sup>11</sup> Jeremy Baskin was the national co-ordinator of COSATU in 1991. His reflections are valuable in that this account of the history of COSATU is from an insider. The line that he takes implies that although COSATU was inserted into the national political debate, it was never a substitute for the ANC. The author reflects unceasingly on how unionists have guarded the independence of the organisation.

that the two organisations adopted in the struggle, but it does not resolve the fact that COSATU has remained an independent organisation.<sup>12</sup>

In an interview with the South African Broadcasting Corporation, Mbeki said the following:

*“The fundamental thing that brought everyone into the ANC was the goal that we must end the system of racial domination in the country, and we must fight for a non-racial democracy”* (Antifa- Info-Bulletin, 1997).

He also said that there would be a time when the alliance relationship would end, but he did not specify when the relationship would be terminated. Mbeki’s statements do not once reveal the claims of deep historical links that the September Report of 1997 makes. Similarly, when COSATU in the declaration statement on the alliance said that the relationship is built on trust, it demanded that many **new** alliance structures be put into place. The purpose of these new structures would be to subject the decisions of the ANC leadership to thorough review, because there is a feeling that many ANC leaders disregard the opinions of its own members and that of the alliance (COSATU, 1999).

When the government gave notice of its restructuring and privatisation plans, the federation registered its protest at NEDLAC, and with FEDSAL and NACTU called for a meeting between government and organised labour. The outcome of these negotiations was the NFA, which in a way acted to constrain the state from privatising without informing the main trade union federations. The most visible evidence of the shallowness of the social linkages is the fact that unlike the situation in Poland and Argentina, there was no social pact in South Africa to initiate the restructuring and privatisation programmes. COSATU has never agreed to the austerity measures of the governing party, neither has it been consulted on major policy initiatives on the

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<sup>12</sup> The commonality between the ANC and COSATU was reflected in the agreement to have a substantial number of COSATU leaders on ANC party lists in the 1994 elections (Reynolds, 1994: 27). Similarly, Buhlungu (1995: 90) indicates that in September 1993, the first 20 COSATU candidates were announced. Many more COSATU leaders who would stand as ANC candidates for the various regional parliaments followed.

economy after 1994. In such a context, social linkages, if any, will hardly exercise a stranglehold on the policy direction of the union concerning privatisation. This evidence makes the present author to suggest that it is not altogether proper and relevant to speak about social linkages when trying to explain the behaviour and policy position of COSATU on privatisation. The link between the ANC and COSATU had been forged by the struggle against apartheid, and it appears as if the connection should be thought of more in terms of **ideas and ideals**, rather than shared identities and networks of close personal ties. The present author is of the opinion that inasmuch as the alliance has held out, it did not determine the response of the federation on restructuring and privatisation. This is the same as to say that these apparent social linkages did not make COSATU politically acquiescent. This therefore reduces the explanatory power of “social linkages” in predicting the behaviour of COSATU on privatisation and restructuring.

### **Party Strength**

The guiding proposition states that:

*“...[A] strong governing party and the absence of a viable political alternative for labour is expected to encourage union co-operation”* (Levitsky and Way, 1998: 182).

The ANC achieved a landslide in both the 1994 and the 1999 elections. The 1994 election saw it took 62% of the national vote, while in the 1999 election, it achieved an even bigger margin of 66.5% (Electoral Institute of South Africa, 1999). In the 1999 election, it achieved massive majorities in seven of the nine provinces, except in the Western Cape and Kwazulu-Natal provinces. The other liberation movements failed dismally at both the 1994 and the 1999 polls, and there is no reason to expect that an alternative left political party to the ANC is soon emerging. The Pan Africanist Congress (PAC) received only 5% of the vote in 1994 and 3% in 1999. The Azanian People’s Organisation (AZAPO) received only 1% of the national votes in 1999. The rumpus created by the government’s adoption of GEAR made many in the trade union movement to ask about alternative possibilities to the ANC.

Koch (1994) said that COSATU unions emerged basically with three positions. The majority view states that COSATU should remain in the alliance, but retain the right to organise independent campaigns. The other view was that the labour federation should pull out of the alliance and act as an independent political vehicle for the working class. The third view advocates that COSATU and the SACP should form a broad political movement to the left of the ANC. In spite of the last two views, most members of the federation want it to stay in the alliance and to use its collective strength to counter conservative forces in the ANC constraining the government's welfare programs (Koch, 1994). Davis and Pearce (1996) report that Patrick Bond who is a senior economist at NIEP says that the answer for the unions are not to form an independent political organisation.

The economist is reputed to argue that trade unions should build a civil society with a class-consciousness. Ka'Nkosi and Mbhele (1997) say that the cracks in the alliance were brought about because of the ANC's shift to the right at the expense of the RDP. They argue that the idea of a progressive left wing opposition and a socialist youth wing has gained a lot of ground in COSATU and SACP structures.

What policy positions did COSATU adopt on the issue of GEAR and the restructuring of the public sector? At the federation's 6<sup>th</sup> national congress the following declaration was made on GEAR:

*“GEAR represents a unilateral departure from the policies and the principles enshrined in the Reconstruction and Development Programme”* (COSATU National Congress, 1997).

The declaration went further in rejecting GEAR as an unsuitable macro-economic policy for South Africa's economic transformation and it called on the ANC to adopt a developmental macro-economic framework that is consistent with the principles of the RDP. The federation also committed itself to resist the various elements of GEAR like subsidy cuts, privatisation, and labour market flexibility. Shilowa (1997) made the same comments in a speech at COSATU's policy conference when he attacked the

inability of GEAR to create jobs, and he called on the government to imbue the state with a developmental character. In spite of the militant rhetoric, COSATU's position is far more complicated. At a meeting of the CEC of COSATU in 1996, the federation accepted partial privatisation of state assets in certain sectors (Gebhart, 1996). The CEC did however re-affirm its opposition to the wholesale privatisation of state assets. The sectors that should not be privatised were indicated as post and telecommunications, electricity, public transport, housing, health, water, state forests, municipal services, education and roads. The bigger private sector unions in the federation have reputedly engineered the apparent shift in COSATU's policy on privatisation (Gebhart, 1996).

One official of the National Union of Metalworkers of South Africa (NUMSA) claims that its union and the National Union of Mineworkers (NUM) were the main architects in the shift of policy in COSATU. He also indicated that much of the opposition to privatisation comes from the public sector unions (Gebhart, 1996). The admission that some form of privatisation is necessary was followed up by another CEC meeting in 1998 where the CEC complained that COSATU has been sidelined politically (Ka' Nkosi, 1998).

The CEC argued that it had little say in the policy decisions taken by the ANC, and that individual cabinet ministers make most policy decisions. The two examples give some indication of the compromises that the federation had to make when confronted with a ruling party that it supported in both elections thus far. The federation's latest position on restructuring and privatisation is formulated thus:

*“Whilst we should not adopt a blanket opposition to privatisation, there is a need to analyse the direction employers both public and private is going, learn lessons from countries where similar strategies have been adopted, and develop a bargaining and campaigning strategy”* (COSATU Special Congress, 1999).

The electoral dominance of the ANC has definitely brought about a moderation in the policy orientation of COSATU on privatisation. Although the gradual shifts can be partially credited to the manoeuvring of the bigger unions in the federation, the most



devastating reason is probably COSATU's sidelining in the making of policy decisions in the ANC and government. The re-affirmation of the alliance relationship at the latest congress should be seen as a strategy that COSATU adopted to recoup some of the lost influence. We should remember that COSATU's call for the restructuring of the alliance relationship has come about because it wants to subject the decisions of the ANC leadership to the review of newly proposed alliance structures. This may have the effect of "controlling" some of the restructuring and privatisation decisions of ANC leadership.

Haffejee (1999) is certainly correct when she argues that the alliance is not in danger of breaking up because COSATU has decided that most of the battles will be fought in the alliance. The present author therefore asserts that the electoral dominance or party strength of the ANC reinforced the alliance **and** it somewhat constrained the radical policy position of the federation on privatisation. The electoral dominance of the ANC has however not succeeded in absolutely silencing COSATU, and the latter is still in principle opposed to some forms of privatisation.

### **Leadership Overlap**

The guiding proposition states that:

*"[To] the extent that unions are effectively integrated into the party leadership, labour should defect more slowly from the governing alliance"* (Levitsky and Way, 1998: 183).

Organisational overlap and fusion brings to the fore the same issues of influence of the alliance partner in the decision-making process. We have already noted COSATU's complaints of its declining influence in the ANC, and how at its latest congress, it planned to regain some of the lost ground. The ANC has made some attempts to get people from the alliance into very influential positions. Jeremy Cronin and Blade Nzimande of the SACP respectively head the transport and educational portfolios in the national assembly (Chotia, 1999). Other notables in the SACP who are heading portfolio committees are Yunis Carrim for provincial affairs and local government, and Nathi Nhleko for public service and administration.

Many in the COSATU leadership have after the 1994 election accepted posts in the government of national unity, and Shilowa's appointment as the premier of the Gauteng province is the latest example. We have earlier indicated that this process was preceded by the ANC's strategy to co-opt a significant number of experienced COSATU leaders by including them on the party lists in 1994. COSATU'S lamentations about its declining influence in the ANC needs closer scrutiny. Levitsky and Way (1998: 183) are suggesting that if union leaders are poorly integrated into the party, they might begin to understand their interests as distinct from the party. This is more likely to encourage defection. It is the present author's understanding that the party should thus pursue an active role in ensuring that union leadership is well represented in party structures.

In South Africa, it appears as if the labour federation is more vigorously pursuing organisational integration with the ANC. The *Shopsteward*, one of COSATU's publications makes the following comment:

*"COSATU should have organisational representation on the ANC structures. The ANC Lekgotla in January 1997 proposed that the ANC consider setting aside COSATU seats on ANC constitutional structures. This would ensure that COSATU leaders on such structures were seen to be directly representing the organisation positions"* (Shopsteward, 1997).

The *Shopsteward* (1997) goes on to argue that the federation should be represented at every level in the ANC and even in the ANC's conference. There is here clearly an attempt from COSATU to formalise and to regularise the relationship between it and the ANC. The recent proposals to establish a National Political Centre together with the call for new alliance structures suggest that it has played a far more active role in attempting to institutionalise the alliance relationship. COSATU clearly sees greater organisational overlap as one of the most effective ways to increase its influence, and haul in some of the more conservative leaders in the ANC. The question then is how COSATU's relatively poor integration into party structures affected its position on restructuring and privatisation?

COSATU is of the opinion that the NFA should be re-negotiated to extend its mandate to more than mere consultation with the unions by the government. The new NFA should reflect on the role that the state enterprises should play in job creation and outline the areas that should not be privatised (COSATU Special Congress, 1999). The organisational initiative to come out this should be what it calls an "Alliance Syndicate." These alliance sector syndicates must link its affiliates in a sector with an appropriate ANC sub-committee, the ANC minister responsible for restructuring and the various alliance structures:

*"This will help to re-appropriate the restructuring and transformation initiatives that the government has unleashed thus far"* (COSATU Special Congress, 1999).

It adds that the alliance structures should review the restructuring process and make the necessary interventions. It should be clear from the exposition above that COSATU feels that its absence from the major decision-making centres of government has negatively impacted on its ability to influence meaningfully the restructuring drive. The verdict is that in spite of its relative isolation and marginalisation, there are no talks of defecting from the alliance. On the contrary, there are attempts to strengthen it to enable better leverage on the restructuring process. Levitsky and Way's framework predicts that such poor integration should encourage defection, and this is clearly not the case here. The fact that the federation is pinning its hopes on more democratic decision-making structures serves as evidence of its continuing opposition to the privatisation of what it calls strategic areas.

It is worth mentioning that COSATU is aware of the pitfalls of its members becoming ordinary members of the ANC.<sup>13</sup> These members are represented purely in their personal capacity. COSATU has begun mooting the possibility of its members being

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<sup>13</sup> The leadership overlap debate was intense in labour circles. Some unionists felt that leadership overlap would significantly weaken the trade union movement. Repeated calls have been made for the independence of the unions (van Holdt, 1991; Zikalala, 1991; Callinicos, 1992).

represented on all relevant ANC structures **as COSATU members** (COSATU, 1997). This would enable the federation to mandate its members to represent the position of the organisation, instead of being mere ANC members. It is clearly not enough to have some of the union's leaders in the party, but there must be some formal and regularised exchange between the two organisations. This drive to secure representation in the ANC and alliance structures is an implicit admission that it is not sufficient simply to have numbers in the governing party. It is far more important that the voice of the organisation is heard in places where crucial policy decisions are taken.

In spite of COSATU's drive for more representation on ANC and alliance structures, this has not led to a change in the policy positions of the union on privatisation. Even if it succeeds in effectively integrating itself into the ANC or new policy-making units, it will only be to vigorously pursue its stated policies, instead of experiencing an apostasy.

### **Union Competition**

The guiding proposition states that:

*"Labour competition encourages the defection of unions aligned with a governing party"* (Levitsky and Way, 1998: 184).

The assumption is that if competition increases between the unions, a process of outbidding will radicalise unions as they are competing for members. South Africa has three major federations, namely the Congress of South African Trade Unions (COSATU), The Federation of Unions in South Africa (FEDUSA) and the National Council of Trade Unions (NACTU). The first two federations are the largest in South Africa. FEDUSA has 26 affiliated trade unions under its wing and with a total paid-up membership of 541 088 (FEDUSA, 1999). COSATU on the other hand has 18

affiliated trade unions with a total paid-up membership of 1.7 million (COSATU, 1999). The rise in splinter and independent trade unions has given rise to more competition between the unions (Grawitzky, 1999). The author states that since the introduction of the Labour Relations Act, the number of registered unions has doubled from 282 to 500. COSATU, which once had a total membership of 2 million, has dropped to a figure of 1.78 million.

Some labour analysts have earlier cautioned about the drop in membership, and it was estimated that COSATU had experienced a 6% decline in membership two years after the 1994 election (Davis and Pearce, 1996). Its membership then picked up to the 2 million mark, and then dropped to the current figure of 1.78 million. The National Institute of Economic Policy has cautioned that trade unions need to start recruiting in areas where they were not active before (Grawitzky, 1999). The manufacturing sector, which once represented the biggest pool of membership for the unions, has suffered as a result of the job losses in the industry. COSATU'S public service unions now constitute 37% of total membership against the 27.7% in the manufacturing sector. Ten years ago, the manufacturing sector constituted 55% of membership against the 6% in public service unions. (Grawitzky, 1999).

The NALEDI report urges unions to recruit in the service industry, which has seen the biggest increase in employment, and it is also the sector where workers are the least protected. This means that unions have to start thinking about recruiting more skilled workers who are mostly employed on a casual and a contract basis.

Has increased competition affected the position that COSATU adopted on restructuring and privatisation? In terms of the proposition, the federation is supposed to engage in a far more robust manner to convince its members that it can protect their interests.

The SACP certainly thinks that this approach is related to the increased competition that COSATU faces:

*“We also need to understand that if the COSATU public sector affiliates do not engage in a determined and relatively robust negotiation process, the FEDUSA’s and other unions at the shop-floor level will outflank them”* (SACP National Strategy Conference, 1999).

Although this statement is related to the specifics of the recent public wage dispute between the government and the public sector unions, it implies that the federation has become more radical in its approach given the competition at the shop floor. The reality is that instead of a radical outbidding, COSATU and FEDUSA affiliated unions have engaged in common campaigns. The Igoli 2002 plans by the JMC have resulted in joint action by the SAMWU and the Independent Municipal and Allied Trade Unions (IMATU), which is a FEDUSA affiliate. More importantly, the positions that COSATU adopted have not changed significantly with the advent of FEDUSA and other trade unions. This gives more support to the strategic and long-term approach that COSATU assumed, and the present author therefore concludes that there is as yet no significant radicalising impact on the position of COSATU concerning restructuring and privatisation.

### **Balance of Dependence**

The main proposition states that:

*“Union responses to labour-backed adjustment are likely to be shaped by the degree to which the privileges, positions, and power of labour leaders hinge on either the discretion of government leaders, or rank-and-file supporters”* (Levitsky and Way, 1998: 184).

Levitsky and Way (1998: 184) show how organised labour’s financial and political dependence on government in Argentina provided government with a powerful stick to discipline recalcitrant unions and to reward those that are loyal. The implicit

assumption is that unions have less latitude in pursuing oppositional strategies if it is financially dependent on government. COSATU and its affiliates strive for self-sufficiency, and the federation only receives money from other unions when conducting special projects. This means that the federation is largely financially autonomous (COSATU, 1999). One of the principles of the federation is in fact paid-up membership, because it argues that it wants to make decisions without the interference from funders. This then takes care of the federation's relative independence, not only from foreign funders, but also from the national government. The natural assumption is then that the federation is far more sensitive and dependent on the rank-and-file, but the situation on the ground reveals a different dynamic.

Forrest (1994) reports that union grassroots support felt that they are acting as some kind of conveyor belt for decisions taken elsewhere. The author cites as evidence the absence of mass campaigns and the proliferation of national negotiation forums. The widening gap between the union leaders and the led has since not ceased (Grawitzky, 1999). The same article reports that the acting president of COSATU at its special congress in August 1999 indicated that the federation lost much of its traditions of the 1980s and early 90s. He is of course referring to the tradition of consultation and feedback to the rank-and-file. This gap between leadership and followers is equally found in the ANC, where allegations are made that internal democracy in the party had been crushed (Davis, 1996). The evidence suggests that the labour federation's main policy positions after 1994 have not been mass-driven, and that the resulting positions are by and large the result of negotiations between the political elite and the labour elite.

The tendency for leaders in the ANC not to consult its own followers and members of the alliance is perhaps repeated in the behaviour of union leaders. This would suggest that if union leadership were more sensitive to the opinions of the rank-and-file, then a different configuration of positions would have emerged on restructuring and privatisation. The consequence of the relative lack of consultation of union leaders with the rank-and-file, and its independence from the patronage of the ANC means that union leadership and the federation as such, currently operates in some limbo.

The most likely interpretation is that the consistency of its position on restructuring and privatisation of core assets is a function mainly of **leadership**. It remains therefore uncertain, especially with the election of new leadership, if the opposition to the privatisation of core state assets is going to be maintained. The uncertainty would be further exacerbated if there were genuine attempts to re-invigorate the importance of the rank-and-file. The reconstruction of the importance of the rank-and-file should be understood in the context of the alliance relationship. Concessions by COSATU to the government, which have the potential to severely undermine the job security of its members, could result in a backlash. It is difficult to speculate on the direction of such a challenge and the kind of leadership that it would fashion. Ironically, it may simply be a continuation of the very same policy positions of the trade union federation.

Levitsky and Way's variable assumes that union leaders are either bound by the discretion of government or the rank-and-file, but the COSATU case has seemingly "escaped" both of these influences. The present author therefore contends that the federation's position on restructuring and privatisation cannot be predicted either from an alliance point of view (party patronage), or from the dependence of leaders on the rank-and-file.

### **2.3.3 THE RELEVANCE OF THE FRAMEWORK**

We are now in a better position to answer the question about the ability of the theoretical framework of Levitsky and Way to meaningfully elucidate the policy positions of COSATU.

This framework, in the present author's opinion fails, on four accounts to make sense of the position that COSATU took with respect to restructuring and privatisation. The supposed social linkages that so many partisan unionists and political commentators speak about have not made COSATU or the SACP accept the fundamental premises of the neo-liberal economic framework. This non-acceptance finds its way in the policies of opposition to wholesale privatisation, and privatisation of "core assets" of the state. The analysis also found that leadership overlap is not enough to affect the policy direction of the labour federation. What came out in such limpid fashion was



that it matters far more if the federation is part of the policy-making and decision-making structures of the ANC. COSATU'S admission that it has been exiled from the inner circle of influence and power bears testimony to the insignificance of leadership overlap in South Africa. In spite of the many strategic positions that some SACP members occupy in parliament or on the ANC's executive committee, its own influence on policy is negligible. Leadership overlap is not the main factor sustaining the alliance, but it is rather active presence and influence in the decision-making structures of government. COSATU's position on privatisation is framed around the premise that more democratic alliance structures will pronounce more favourably on its own stated positions. Union competition, inasmuch as it has stiffened, has not yet produced a radicalising effect on the federation's policy positions.

There seems to be a consistent opposition to wholesale privatisation and the privatisation of core assets prior to and after, the establishment of FEDUSA. The analysis also found that the labour federation has been relatively autonomous from both government leaders and the rank-and-file in terms of the positions on privatisation that it formulated. There is no evidence to suggest that government's patronage has softened the position of the federation. There is also little evidence of an ultra radical membership demanding that COSATU should principally oppose privatisation in all its forms. Union leadership has assumed much of the direction and the impetus of the various policies in the post-1994 period. The dichotomy of government discretion or rank-and-file rule presented by the framework is simply not applicable to the party-union relationship after the 1994 election.

The only variable in the framework that communicates something about COSATU's position is the party strength of the ANC. The outcome of the debates within COSATU has re-affirmed the need for the alliance, and the idea of a left political party has been shelved. Pressure from domestic business, opposition political parties and the absence of a viable alternative to the ANC has forced the federation to concede at least some form of partial privatisation. This concession was not however tantamount to an acceptance of wholesale privatisation or the privatisation of core state assets. In answering the question about the dominant characteristic of the federation's engagement, the following transpired. COSATU has decided that

negotiation with the government on restructuring and privatisation will continue. This is signified by its eager remarks about the introduction of an NFA II. There are pockets of “opposition” in the federation, and represented by SAMWU in particular, but this is not the dominant position of the federation. The federation’s commitment to negotiation in NFA II is a strategic move aimed at **constraining** the restructuring and privatisation drive.

The present author interprets this position as an implicit acceptance that retrenchments are unavoidable, and negotiations are meant to distribute the social and economic costs, and to do so over a longer period. The party strength of the ANC and the absence of any viable political alternative force this commitment to negotiations on privatisation. This leads the present author to conclude then that the dominant characteristic of the federation is indeed “co-operation” and will remain so in the nearby future.

#### **2.4 SUMMARY**

Privatisation was initiated for diverse reasons in the developing countries. In some cases, the purpose was merely to signal the change from a command-led economy to a free market economy. In the other cases, historical wrongs, such as the dispossession of property had to be corrected. Many of the countries in the former Eastern Communist block took the route of mass privatisation, which meant the cheap sale of public enterprise equities.

Many of the privatisation exercises had gone aground as a result of the social instability unleashed, and governments found it difficult to cope with managing the transition. Unemployment was therefore one of the main reasons why the privatisation programme had to be slowed down in Russia. One of the most important driving forces behind privatisation in the developing world was enduring fiscal crises that so many countries suffered. Privatisation was seen as one of the most fundamental fiscal solutions in remedying the crippling budget deficit. Privatisation was hampered in many of these developing countries as a result of the absence of a legal framework within which privatisation could take place. Many of these countries never had provisions for the existence of private property. The evidence indicates that there have

been many successes in the field of financial discipline, particularly in Brazil, Mexico and Argentina. In most of the privatisation exercises, organised labour had been sidelined and it is only recently that trade unions in Poland and Spain are rejecting the adverse consequences of privatisation. South Africa started its privatisation programme in 1987 as a short-term strategy to deal with its isolation from the world financial markets.

The programmes then had as its component aims a reduction in the scope and size of the public sector and the active revival of the private sector. The results of the programme show that unemployment has increased, and very few of the anticipated efficiency gains had been made. It is precisely the inability of the private sector to contribute to employment creation that led the current government to the GEAR macro-economic policy. Government's restructuring programme has met with a lot of opposition and criticism from both organised labour and business. The major obstacles were a lack of clear privatisation guidelines and the absence of a legal framework. There are indications that government has begun to accelerate the pace of the privatisation programme.

The latest plans of the government include the sale of a further 10% of TELKOM and its flotation in 2001. The major labour federation, COSATU has in principle agreed to partial privatisation, but it still opposes wholesale privatisation and the privatisation of core state assets. It called for the strengthening of the alliance as a way of constraining the restructuring drive. At least, in terms of its operating principle, COSATU seems committed to further negotiation with government on the issue of restructuring, and it has repeated its calls for the introduction of an NFA II.

The next chapter will examine the distribution of opinions on the Opinion Leadership Survey of 1997/8. COSATU's position will be described at first, and then the differences between COSATU and the ANC are going to be examined.

## CHAPTER 3: METHODOLOGY AND DATA PRESENTATION

### 3.1 The Data

The data analysis is based on *The South African National Leadership Opinion Survey of 1997/8*. The opinion-leader survey forms part of a longitudinal study by the Centre for International and Comparative Politics of the University of Stellenbosch which has been conducted annually since 1989/90. This postal survey was completed between October 1997 and February 1998.

*Table 1: Composition of Opinion Leader Sample*

Sector	Composition of sectors	Sample
National Assembly	Members of the National Assembly	399
NCOP	All permanent members of the NCOP	57
Provincial Government	Premiers and MECs	95
Civil Service	Directors-general and senior directors	181
SAPS	Commissioners and assistant commissioners	78
SANDF	Senior members of army, navy and airforce	64
Business	CEOs and Directors from top 100 companies, based on market capitalisation	172
Media	Print media (editors and senior journalists) and electronic media (senior managers)	96
Trade Unions	Most senior members of COSATU and affiliates	50
<b>Total</b>	<b>Realised response = 477 (40%)</b>	<b>1192</b>

A positional sample of opinion-leaders or the elite was selected from nine of the most important sectors of society. In other words, people holding top positions in these sectors were included in the sample. (See Table 1 for the sectors selected.) What follows now is a description of the application of the technique. In the civil service sector, a team of political scientists consisting of academics from the University of Stellenbosch, Fort Hare and University of Transkei identified the 181 top positions of the most important departments.

The questionnaires were sent to the individuals holding these positions - that is why this kind of approach is called the "positional approach". A positional sample of 1192 individuals was selected. It is virtually impossible, however, to determine the boundaries of some sectors. How many trade union leaders or business people must

be included, for example? Do all these people have the same degree of power and/or influence? It is important to note that the selection of the number of persons depended on certain assumptions about the configuration of power and influence on the national level as well as within the sectors themselves. The grand total as well as the number of persons selected per sector may be regarded as arbitrary - except for parliament, where all the members were included.

Data gathering took place in a structured way. It was primarily the cost factor that played an important role in the decision to use mailed questionnaires as the method of data gathering for this study rather than personal interviews. In order to overcome the familiar problem of a low response rate, various techniques, including three waves of questionnaires, were used to push this rate higher than the usual average of 30% in elite studies. The final response rate was 40% (477 persons from a realised sample of 1192), which makes relatively reliable deductions from the data possible. (See also Kotze and Hill, 1998 for an additional description of the survey).

### **3.2 The Procedure**

This section will answer two questions. The first of these questions examines whether the official policy positions of COSATU on restructuring and privatisation find expression in the opinions of labour leaders. The second question traces differences between the ANC and COSATU on GEAR and privatisation. The analysis will place emphasis not only on differences between party and union, but also looks at differences within the two organisations, if any. The future of privatisation in South Africa will be discussed in the next chapter.

### **3.3 Method of Analysis**

The two principal methods used were factor analysis and reliability testing in the development of index variables for the GEAR and privatisation items in the survey. The factor analysis was used to identify the important factors or components in the data as well as identifying the items that loaded significantly on these factors.

The basic analysis started by observing the relevant items for its “face validity” or logical validity (Babbie, 1996: 164). The section on GEAR in the Opinion Survey of 1997/8 contains 12 items. Item 79, which states that “The Rand should be strengthened relative to other monetary units”, was eliminated immediately. The reasons were that it featured very little in the ongoing dispute between government and labour and that it has no direct bearing on the ideological struggle between government and labour. A principal component factor analysis was conducted on the 11 items. The rotated factor matrix produced the following components:<sup>14</sup>

*Table 2: Orthogonal Factor Loading Matrix for 11 GEAR Items*

<i>Variable</i>	<i>Factor 1</i>	<i>Factor 2</i>	<i>Factor 3</i>
Make labour markets more flexible	.761		
Do away with exchange controls	.649		
Import tariffs removed more rapidly	.639		
Limit increases in wages and salaries	.611		
Limit government sector employment	.602		
High positive real interest rates necessary to curb inflation	.502		
Reduce budget deficit	.468		.337
Redistribute through employment-creation in private sector	.433	.368	.346
Investment must be increased		.804	
Manufactured exports must be increased		.737	
Public works programmes important for job creation			.846

<sup>14</sup> Only items with a loading of above .3 are included in this table

These 11 items were then included in various reliability tests to determine the internal consistency of the items. The justification was that the 11 items are distributed across the three factors, and conform to the cutting-off point of .30 for inclusion. The idea behind reliability testing is to examine the internal consistency of the new variable. This would increase our confidence that the items in the index measure the same concept, trait or attitude. Babbie (1996: 181) recommends a reliability coefficient (alpha) of .90 as a rule of thumb, but recognises that the decision for this criterion is arbitrary. The present author has set alpha values of above .80 as acceptable in the construction of the index.

Reflecting on the factor analysis, the first factor accounts for 28.75% of the variance, the second factor 11.01%, and the third factor 10.05%. The first factor seems to encompass the heart of the macro-economic program, and it seems to indicate free market economic orthodoxy. All the important elements of neo-liberal economic reforms seem to be present here.<sup>15</sup> The second factor seems to indicate a distinct trade component. The few items that significantly load on it means that one should not make too much of it. The third factor is even more obscure, especially given the high loading of one item and the relatively low loading of the other two items. It would have been appropriate to refer to this dimension as the employment factor, but this interpretation is made difficult by the budget deficit item. It is hard to imagine the connection between the creation of employment and the reduction of the deficit.

The interpretation of this dimension remains unclear, and the present author suggests that perhaps we should term it the employment factor in spite of the deficit item. For analytical purposes, it is more important to focus on the first factor. One of the striking features of this factor is the implicit reduction in the scope and size of the state. The core of this factor seems to indicate the need to open up more spaces for the private sector, and the concomitant reduction of the role of the state. This after all is

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<sup>15</sup> The strength of the first factor was borne out when an **oblique rotation** was carried out. The only correlation was between factor 1 and factor 2, and the correlation was very modest (.239). There was no correlation between factors 1 and 3, or between factors 2 and 3. This confirms the independence of the first factor and lends further definition to the neo-liberal economic preferences of the respondents in the survey.

the very nub of what drove privatisation programmes across the globe. This factor seems to give definition and shape to the economic preferences of the majority of leaders in the entire sample. This acceptance of the minimalist role of the state is the overall climate of opinion in which we have to examine the responses of the COSATU leaders.<sup>16</sup>

Returning to the reliability tests, the first test was conducted with 11 items, but the results indicated that if items 76 and 86 were removed, the reliability coefficient would be increased (first test:  $\alpha = .6967$ ).<sup>17</sup> Upon removal of the two mentioned items, the reliability coefficient improved considerably (second test:  $\alpha = .7466$ ). Subsequent tests gave reduced alphas, and a decision was made to construct the index with the remaining 9 items. The 9 items essentially covered the entire range of the themes that GEAR addresses.

All the items in the GEAR section were originally coded in the same direction. This meant that there was no need to change the original coding of the items. The analysis took the presence of small values as indicative of a pro-GEAR position, and all the items conformed to this requirement. The new composite measure had a range running from 9 to 44. The decision was to give the four response categories more or less the same bandwidth. This was done to ensure that all the main response categories would have sufficient cases for analysis. The "uncertain" category was kept very small to prevent an inordinate amount of cases falling in this category. The new index variable was re-coded with the following intervals: 9-15 (Strongly Agree), 16-23 (Agree), 24-27 (Uncertain), 28-34 (Disagree) and 35-44 (Strongly Disagree).

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<sup>16</sup> It is interesting to note that in the composite measure of GEAR, 79.2% of all the respondents endorse the different elements of GEAR against 7.3% who disagree with it (totals are the collapsed agree and disagree categories).

<sup>17</sup> Item 76 states that "Investment must be increased" and item 86 states that "Public works programmes are important for job creation."



The section on the broad privatisation themes contains 7 original items. On face value alone, all seven items were selected for the reliability tests. The principal component factor analysis that was carried out on seven privatisation items yielded one factor. This factor accounted for 54.63% of the variance.<sup>18</sup> Three of the items had to be re-coded to ensure that all the items were running in the same direction, namely items 115, 118 and 120. A high score on this new variable was indicative of a pro-privatisation position. The first test produced an alpha of .8863 and suggested that items 116, 117 and 121 be removed to increase the reliability coefficient.<sup>19</sup> Subsequent tests have not led to higher reliability coefficients (test 2: alpha = .8846, test 3: alpha = .8707).

The new composite measure of privatisation had a range running from 7-35. The following intervals apply: 7-12 (Strongly Disagree), 13-18 (Disagree), 19-22 (Uncertain), 23-28 (Agree), and 29-35 (Strongly Agree). It is interesting to note that the privatisation index has a relatively higher reliability than the GEAR index, but it could be related to the fact that the Gear index has more variables. The decision to persist with the items in the Gear index is motivated by the fact that all these items cover a distinct and essential part of the overall Gear macro-economic programme. We now turn to the first of the two questions in this section.

### **3.4 Research Question 1: *Do the policy positions of COSATU find expression in the attitudes and opinions of its leaders in South Africa?***

This question takes its cue from the literature review that suggests that leaders in COSATU had a formative impact on the policy direction of the federation. If the

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<sup>18</sup> The items that loaded on this factor are "More industries should be privatised" - .790, "Trade unions should oppose privatisation" .788, "Privatisation is necessary to reduce the budget deficit" - .787, "privatisation is necessary for productivity in the parastatals" - .782, "Privatisation will lead to a higher level of unemployment" .730, "Privatisation means lower wages for semi-and unskilled workers" .680, and "privatisation will mean higher consumer prices for services" .594.

<sup>19</sup> Item 116 states that "Privatisation will mean higher consumer prices for services", item 117 states that "Privatisation will lead to a higher level of unemployment" and item 121 states that "privatisation will mean lower wage levels for semi- and unskilled workers."

opinions of the leaders are consistent and confirm official policy positions, then this will go some way towards endorsing the view of the internal leadership hegemony in COSATU. The question will focus on leaders' opinions of the role of the state in the economy, their position on GEAR, and their opinions on selected public utilities. These issues have been chosen, because COSATU has official policy positions on it, and the purpose of the analysis is to establish its empirical manifestation in the attitudes of COSATU leaders.

### **The Role of the State**

The final resolution on the alliance program states that COSATU should encourage an active interventionist and developmental state. The state should play an active role in the economy and society and the idea of a minimalist state is rejected (COSATU Special Congress, 1999). This position has been affirmed in previous COSATU conferences and policy statements and should therefore be regarded as one of the pillars of COSATU'S economic vision. An item measuring this dimension states:

*“There are different views on the role of the **state** towards the **economy**. An important aspect is the extent to which the state, under the new constitutional dispensation, should be allowed to **control the economy**. Views on this issue vary from those who advocate **total state control** over the economy to **completely free enterprise**. Please mark a point on the scale which coincides with your preference”*

This item has “full state control” on the left pole and “completely free enterprise” on the right pole. In the centre of the item is “mixed economy.” The modal response for the **entire** sample on this item is “50”, which falls under the mixed economy response (42.6% or 20 of COSATU leaders chose this option, N=47). Overall, more of the COSATU responses are found to the left of the item, somewhere between full state control and the mixed economy. There are very few responses to the “completely free enterprise” part of the item (less than 22% of the total responses). There seems to be an emphatic endorsement of the developmental role of the state in the economy. It is, however, impossible to deduct from this item alone, exactly how the state should intervene. The responses merely indicate a predilection for the active role of the state. The distribution of opinions on this item, and in particular the modal response

suggests that COSATU leaders foresee an important role for the private sector. The data do not support the notion of an anti-private sector labour federation.

### **The Position of Leaders on GEAR**

The factor analysis that was carried out made it clear to the reader that the majority of respondents in the survey foresee some reduction in the role of the state. This is the overall climate of opinion in which the COSATU responses on GEAR must be understood. GEAR has been rejected as an unsuitable macro-economic strategy for South Africa's socio-economic transformation by COSATU. The relevant declaration states explicitly that certain elements of GEAR like wholesale privatisation and labour market flexibility should be rejected (COSATU National Congress, 1997).

*Table 3: COSATU Leaders on the Macro-economic Strategy GEAR*

	<b>COSATU Responses: Raw Numbers and Percentages</b>
Agree	4 8.2%
Uncertain	10 20.4%
Disagree	27 55.1%
Strongly Disagree	8 16.3%
Total	N = 49 100%

The two disagree categories indicate that 71.4% of the COSATU leaders in the survey are rejecting GEAR. This rejection of GEAR follows therefore the policy position of the federation, but it is important to note that this rejection is punctuated by moderation in some of the items. One of the most contested issues in GEAR is the possibility that government intends to relax some of the measures in the existing labour law regime. COSATU leaders are expected to strongly reject any attempts that aim at making the labour market more flexible.

Departing from the composite measure of GEAR, and in isolating one of the items, we obtain the following results:

**Table 4: COSATU Leaders on Labour Market Flexibility**

	<b>COSATU : Raw Numbers and Percentages</b>
Strongly Agree	2 4%
Agree	14 28%
Uncertain	6 12%
Disagree	18 36%
Strongly Disagree	10 20%
Total	N = 50 100%

If we collapse the strongly disagree and the disagree responses, then 56% of COSATU leaders reject the statement that labour markets should be made more flexible. Although these responses are in the majority, the rejection of labour market flexibility is not overwhelming, and this is a bit surprising. Those who are in agreement with the statement constitute 32% of the total sample. There is here no complete hegemony of opinion on this issue, and given the fact that decentralised bargaining is an outflow of flexibility, the responses are all the more surprising.

This position is further complicated when we examine item 86, which states that “Public works programmes are important for job creation.” If we collapse the two agree categories, 96% or 48 COSATU leaders agree to this statement. The interpretation of the meaning of this item is not so clear. Public works programmes can of course be exclusively government-led, or it can involve public-private partnerships. The present author is suggesting that we interpret this item as not necessarily excluding the private sector. The reasons are that COSATU leaders

endorsed a mixed economy and seem to support the role of the private sector in creating jobs. The favourable pronouncement on the private sector does not mean that labour leaders see the public sector as dwindling. There is a very interesting tension here: the support for the private sector to create jobs would in some way mean the reduction in the size and scope of the public sector. This is clearly not the view of the labour leaders in the sample, and it reinforces the suspicion that the concept of a public-private partnership is fairly well established with unionists. This position takes as its point of departure the idea that pro- and anti-privatisation arguments have its merits and that one should not be supportive or opposed to privatisation purely on ideological grounds alone (White, 1988: 19).<sup>20</sup> The results of the survey thus far confirm the current policy positions of COSATU. The present author has argued that the rejection of GEAR is not tantamount to a complete rejection of the role of the private sector. The federation's leaders seem to take positions that favour employment-creation for workers, irrespective if it is the public sector or the private sector.

### **Opposition to the Privatisation of "Strategic State Assets"**

The Program of Action adopted by COSATU at its mid-year inaugural central committee makes the following statement on privatisation:

*"COSATU will campaign against privatisation, and attempts to move towards privatisation of strategic state assets, which are responsible for the delivery of basic social services, or are key to the state's ability to intervene in the economy"* (COSATU Inaugural CC, 1999).

Campaigns have been planned against the privatisation of ESKOM, elements of transport and the delivery of municipal services (COSATU Inaugural CC, 1999). The very same policy commitment was made in the previous year as well (Inaugural CC, 1998). The Opinion Survey of 1997 asks the respondent whether he/she believes the

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<sup>20</sup> The Presidential Job Summit of 1998 gave in its own way expression to the importance of Public-Private Partnerships. An excellent review of the concept can be found in Moore, C. and Pierre, J. (1988) "Partnership or Privatisation? The political economy of local economic restructuring" *Policy and Politics* 16(3): 169-178

following parastatals should be nationalised or privatised: Spoornet, Portnet, Iscor, Eskom SAA, Telkom and SABC. We are going to look at Spoornet, Telkom and Eskom, because all three are falling into domains that COSATU has indicated should not be privatised. The results for Eskom reveal the following:

**Table 5: Should Eskom be Fully Privatised or Fully Nationalised?**

	<b>COSATU: Raw Numbers and Percentages</b>
Privatised	4 8.2%
Nationalised	45 91.8%
Total	N = 49 100%

We witness here an almost complete rejection of the privatisation of the electricity utility. The TELKOM data reveal a similar pattern in that 89.8% or 44 of COSATU leaders opt for the nationalisation of the telecommunications utility. The most emphatic rejection of privatisation of a public utility is found for SPOORNET:

**Table 6: Should Spoornet be Fully Privatised or Fully Nationalised?**

	<b>COSATU: Raw Numbers and Percentages</b>
Privatised	3 6.1%
Nationalised	46 93.9%
Total	49 100%

In the previous section, although the response of the labour leaders was anticipated, it has not manifested this near complete rejection of the privatisation of public utilities. The labour leaders in this sample are unanimous on the need to protect the public utilities against privatisation, and so in their views, continue to deliver affordable services to the poor masses in South Africa. The policy position of opposition to the

privatisation of core state assets finds very clear expression in the opinions of the labour leaders. The question about the empirical manifestation of the policy positions of COSATU in the opinions of its leaders is answered in the affirmative. The responses of the COSATU labour leaders in the sample consistently confirm the decisions that have been taken at the federation's congresses. There is little evidence of splits between public and private sector unions in the opinions of the labour leaders. COSATU leaders are unanimous in their rejection of GEAR, their acceptance of the developmental state and the preservation of public utilities in the hands of the state.

The data seem to provisionally lend support to the idea that leaders in COSATU have fundamentally shaped the policy direction of the federation apropos GEAR.

### **3.5 Research Question 2: *Are the opinions and attitudes of COSATU leaders significantly different from that of ANC leaders?***

This question will examine in a comparative way, the positions of the party and the trade union federation on GEAR and the privatisation of the mentioned public utilities. Thereafter, the focus will be on broad privatisation themes. We have already established that there are no significant differences within COSATU, and so this section will take its cue from party-union differences.

#### **Comparing Opinions on GEAR**

The analysis in the previous section has established COSATU's firm rejection of GEAR, and given the tussles between it and the governing party, one expects the differences on GEAR to be pronounced. It would be interesting to see if the ANC leaders in the survey are in fundamental agreement with the majority view in this survey on basic macro-economic principles.

**Table 7: Comparing the ANC and COSATU on GEAR by Using the GEAR Index**

	<b>ANC: Raw Numbers and Percentages</b>	<b>COSATU: Raw Numbers and Percentages</b>
Strongly Agree	10 7.2%	
Agree	94 68.1%	4 8.2%
Uncertain	22 15.9%	10 20.4%
Disagree	9 6.5%	27 55.1%
Strongly Disagree	3 2.2%	8 16.3%
Totals	N = 138 100%	N = 49 100%

The ANC response shows that 75.3% of all its leaders are in agreement with the macro-economic strategy. It is interesting to note that most of these responses are in the “agree” category and not in its extreme version. The ANC and its alliance partner are in almost perfect opposition to each other on GEAR. There seems to be greater support for free market orthodoxy in the ANC than in COSATU. It remains an open question whether this support for neo-liberal economic orthodoxy will be translated into a pro-privatisation position. Before examining the distribution of opinions on privatisation, opinions on selected public utilities will be looked at first.

In order to maintain consistency in the text, we will examine the distribution of opinions on the privatisation/nationalisation of Eskom first:

**Table 8: The ANC and COSATU on the Privatisation/ Nationalisation of Eskom:**

	<b>ANC: %</b>	<b>COSATU: %</b>
Privatised	44.4	8.2
Nationalised	49.6	91.8
No Answer	5.9	
Total	100% N=135	100% N=49



Those who support the nationalisation of ESKOM in the ANC enjoy a relatively small majority margin. In contrast to the position of the leaders in COSATU, the ANC is fissured in terms of the support that nationalisation or privatisation enjoys. The two organisations cannot almost be further away from each other in terms of organisational dynamics. When we compare the positions on the privatisation of TELKOM, a broadly similar pattern obtains. The only difference here is that those who support the privatisation of TELKOM in the ANC are in the majority (57.8% against the 37.5% percent who support nationalisation). In COSATU, there is an overwhelming support for the nationalisation of TELKOM (an overwhelming 89.8% against 10.2%). When we examine the distributions of opinions on SPOORNET, more or less of the same pattern is repeated:

*Table 9: The ANC and COSATU on the Privatisation/Nationalisation of SpoorNet*

	ANC: %	COSATU: %
Privatised	41.9	6.1
Nationalised	53.7	93.9
No Answer	4.4	
Total	100 N=136	100 N=49

What separates the ANC from COSATU in the three cases seems to be the presence of counter-balancing forces, which render the outcome of the contest between privatisation and nationalisation uncertain. It is highly probable that the influence of the emerging African middle class impresses itself here, and it is manifested on all three items. We should remember that those who support nationalisation in the ANC are not COSATU or SACP members, and therefore constitute yet another block in the ANC camps. The suspicion is that it could be various left groupings that do not believe in the new brand of capitalism so fervently supported by the new black middle class (Haffejee, 1999). There is no question about the obvious differences between the ANC and COSATU on the privatisation of these utilities, and we shall now turn to broader privatisation issues.

## Comparing Opinions on Privatisation

*Table 10: The ANC and COSATU on Privatisation Index*

	ANC: Raw Numbers and Percentages	COSATU: Raw Numbers and Percentages
Strongly Disagree	8 6.1%	24 49%
Disagree	23 17.6%	20 40.8%
Uncertain	28 21.4%	3 6.1%
Agree	52 39.7%	2 4.1%
Strongly Agree	20 15.3%	
Totals	N = 131 100%	N = 49 100%

If we collapse the “agree” categories for the ANC, then 55% of ANC leaders are of the opinion that privatisation should be endorsed. The “disagree” responses constitute 23.7% of the responses, and together with the 21.4% of undecided leaders, it would appear as if privatisation is far from being a completely settled issue in the ANC. We find here a remarkable difference between the emphatic support for GEAR and the lukewarm acceptance of privatisation. The dynamics on this variable repeat the pattern that was found with the public utilities items. The ANC is clearly fissured in terms of these issues, and the differences within the organisation are surprising. The embrace of the neo-liberal economic orthodoxy has not led to the full acceptance of privatisation.

COSATU leaders on the other hand overwhelmingly reject privatisation, and it is important to note that the majority of the responses fall into the “strongly disagree” category. The difference between the ANC and COSATU is now confirmed, but the differences within the ANC are now more pronounced. It is difficult to predict how the position of the ANC leaders is going to change, and to give the reader some indication of the abrupt shifts, we will look at two of the privatisation items

separately. Item 117 states that “Privatisation will lead to a higher level of unemployment.”

*Table 11: The ANC and COSATU on Privatisation and Unemployment*

	ANC: %	COSATU: %
Strongly Agree	9.5	42.0
Agree	29.9	50.0
Uncertain	16.8	6.0
Disagree	39.4	2.0
Strongly Disagree	1.5	
No Answer	2.9	
Total	100 N=137	100 N=50

The largest majority in COSATU is in agreement with the statement (92%), and it confirms the leaders’ consistent fears about retrenchment. The ANC is almost perfectly balanced on this item as 40.9% disagree against the 39.4% who answer in the affirmative. We should note that the uncertain group has 16.8% of the responses, and that it can swing the opinion decisively one way or the other. The analysis thus far has not failed to point to the deep splits in the ANC on the selected privatisation themes. The presence of the undecided group has a number of implications for the understanding and the analysis of privatisation, and we will return to it in the following chapter. COSATU leaders have been consistent in their opinions, not only in this section, but also in the preceding sections.

Sometimes, the complexity of the ANC’s opinion on privatisation is swung in the opposite direction. Item 119 states that “Trade unions should do all that is in their power to oppose privatisation.” This is once again one of the difficult items to interpret. This item does not specify if privatisation should be opposed in principle, or if some of the unpalatable elements should be resisted. This is made more difficult by the fact that COSATU conceded to some form of partial privatisation as early as 1996. On the mere face of it, COSATU leaders have unanimously come out against privatisation (94% agree with the statement).

A mere 18.2% of ANC respondents agrees with the statement against the 64.3% who disagrees with the statement. The uncertain group constitutes 16.1% of the responses, and again this is almost the same as those who agree with the statement. ANC leaders clearly do not foresee a blanket opposition to privatisation, but this does not mean that there are no concerns about the negative social and economic consequences of privatisation. There is unevenness to the opinions of ANC leaders on privatisation, and their responses do not tally with the unambiguous support for GEAR. The internal cohesion of the COSATU responses on the other hand reinforces the view of the hegemony of leadership in the federation.

The pattern that emerges from the analysis is of difference **between** the ANC and COSATU on privatisation, and differences **within** the ANC on privatisation. This reminds the present author of the claim of so-called social linkages between party and union, and yet these results cast considerable doubt on the veracity of such claims. Inasmuch as we would assert this, it is not tantamount to denying the equally large splits in the ANC. The argument that will be put forward in the next chapter will have much to say about the tensions in the ANC and how COSATU has positioned itself to take advantages of these differences.

### **3.6 SUMMARY**

COSATU leaders have come out in full support of the policy positions of the labour federation. The literature review has hinted at the possibility of splits within the federation on privatisation issues. No evidence has been found to suggest that there are various camps within COSATU, nor does it appear if unionists adopt ad-hoc positions on privatisation. Leaders in the federation firmly support the notion of a developmental state, and also believe that the economy should include elements of both the public and the private sector. It would appear that inasmuch as the state is conceptualised as having to play a developmental role, unionists believe that both the public and the private sector should be involved in creating employment.

The fear that privatisation is going to mean job losses came out clearly in the data, and unionists have been consistent in their rejection of retrenchment as a consequence of privatisation. Labour leaders overwhelmingly disapproved of GEAR, and there was

a strong feeling that those public utilities in electricity, telecommunications and public transport need to stay in the hands of the public sector. Overall, the labour leaders in the sample have exhibited a remarkable support for the official policy of the federation and the consistency cuts across the different items in the survey. Comparatively, the ANC and COSATU are poles apart in terms of their distribution of opinions on the items that we have examined. There are deep splits in the ANC, not only on the privatisation of the public utilities, but also on the broader issues of privatisation. The ANC leaders firmly endorsed the macro-economic strategy GEAR, but fell short of emphatic support for privatisation.

Much of this suggests that privatisation is still an unsettled issue for ANC leaders, and COSATU's decision to shore up alliance structures must surely depend on this unstable aspect in ANC leadership as well. Overall, though the splits in the ANC are recognised, the difference between party and the trade union federation remains significant. Although there is very little evidence to suggest that party and union are moving closer to each other in terms of their respective policy views, the unstable distribution of opinions in the ANC holds out just that promise. We will now turn to a more thorough discussion of the results, and at the same time attempt to look at the future of privatisation in South Africa.

## CHAPTER 4: DISCUSSION OF THE DATA

This chapter will set out to discuss the results of the data and the earlier evidence on the alliance relationship. The purpose is to develop a deeper understanding of the fundamental dynamics that drove the policy decisions of COSATU. In addition, the chapter will examine the question about the future of privatisation in South Africa. Pertinent to this question would be the framework of Levitsky and Way (1998) and the results of the data on the opinions of COSATU and ANC leaders. Our first focus will be on commenting on the results of the data in the context of the three propositions that were expounded in Chapter 1.

### 4.1 The Propositions in the Context of the Results

*Proposition 1* states that "An essentially negative or positive policy position on privatisation will translate into a similar negative or positive opinion and attitude in the *South African National Leadership Opinion Survey of 1997/98*."

This proposition assumes some continuity between the formal congress policy positions and its expression in the survey. All the official policy positions of COSATU on privatisation and restructuring have found confirmation in the views of the COSATU leaders in the survey. This concerns the developmental role of the state, rejection of GEAR, and opposition to the privatisation of strategic state assets. The only exception to these uniform responses has been the less than overwhelming rejection of labour market flexibility. The first proposition has therefore been confirmed.

*Proposition 2* states that "Differences are more likely to manifest **between** party and union, rather than differences **within** the respective organisations."

The results have in part confirmed this proposition. The assignment has indicated how the differences between COSATU and the ANC are stark on GEAR. Although the ANC leaders in the sample were less convincing on the privatisation index, the differences between it and COSATU were significant. There is no doubt that the data have added the complication of differences within the ANC concerning privatisation.

The assignment has however taken the position that these differences do not overshadow the differences between COSATU and ANC leaders on privatisation. The distribution of opinions of ANC leaders on privatisation appears erratic in contrast to the uniformity found within COSATU. In spite of these complications, the second proposition has also been confirmed.

The third proposition will be discussed in the section on the future of privatisation. We will now examine the results in more detail in the next section.

#### **4.2 Implications of the Comparative Analysis**

The opinions of COSATU leaders are suggesting the near imperviousness of the top brass of the organisation to influences outside the ambit of the federation. The common embrace of the developmental role of the state and the unanimous rejection of GEAR evoke the image of a disciplined soldier. It is almost ironic, therefore, when the national chairperson of the ANC criticises members of the top brass for alleged ill discipline.

Media accounts of fractures within COSATU have not materialised in any of the items that we have perused. This blanket thinking is not only applicable to the opinions rendered on public utilities, but also extends equally to the broad and popular themes of privatisation. The earlier evidence that the present author has presented on the consistency of the leadership requires mentioning here. The argument states that the federation's position on restructuring and privatisation cannot be understood as the result of government patronage. Similarly, there is little evidence to suggest that these positions have been developed on the factory floor. These stable policy positions were largely seen as the function of a capable and articulate leadership.

The data in the survey lend tremendous weight to this thesis and confirm the internal hegemony of COSATU leadership in the post-1994 period. This confirmation is found in the uniform responses of labour leaders to the different items that we have examined. There is very little evidence of deviance from a modal response on any of these items. Understanding the reaction of the federation to the privatisation initiatives

of the ANC government requires not only formal knowledge of these positions, but also how processes in the post-1994 period shaped these positions. COSATU provides us with a self-diagnosis of the widening gap between the leaders and the rank-and-file, and bemoans the loss of important political traditions of consultation. The most recent conference saw COSATU leaders chastising themselves for allowing the gap to develop between the leaders and the followers (COSATU Special Conference, 1999). Journalists, who argue that grassroots support has felt more alienated in the last five years of union activities and decisions, have echoed this diagnosis. A singular feature of the post-1994 policy environment has been the uncertainty with which a broad range of public sector employees had to contend with.

Teachers, health workers, public prosecutors and other government officials have been left in the limbo while government struggled to deliver stable policy frames. Local business, representatives of various governments, and sections of the newspaper media consistently complained about the ambiguity of government policy on privatisation (Wackernagel, 1997; Wadula, 1997; Chalmers and Grawitzky, 1999; Smith, 1999). On the one hand, there was an affirmation of the importance of the public sector in the NFA, while on the other hand, privatisation became one of the pillars of new government policy. GEAR was introduced to the media as non-negotiable, but later top officials in government said that the policy is not cast in stone.

The point of the discussion is to indicate a climate of policy uncertainty in which labour leaders had to operate. This unpredictable situation hardly facilitates the possibility of extensive consultation by the union leaders of their various constituencies. Extensive consultation of the rank-and-file requires stable policy frames and this was hardly the case for unionists. The suspicion is that these dynamics forced the leadership of COSATU to close in upon itself, and this is why we see the repetition of consistent positions across all the items.

The dynamics of union decision making were therefore shaped not only by so-called ideological considerations, but also by the prevailing policy environment after 1994. These forces have not in the end fissured union leadership, but on the contrary, they



seem more united, although it took leadership away from its grassroots support. We should emphasise this point, because in explaining the policy positions of union leadership, it will be too crass to suggest that ideological influence, and particularly socialist influences are the pivot. Haggard and Kaufman's (1995) insistence that we need to understand the institutional influence on policy positions is absolutely relevant here. The data have given us a number of examples to support the idea that COSATU leaders did not simply formulate a response to privatisation based purely on socialist economics. The majority of the responses on the role of the state acknowledge the role of the private sector in the economy. Union leaders clearly indicated their preference for a mixed economy, and the modal response suggests a proportionate contribution of the public- and the private sector.

The labour leaders also signalled their support for the employment creating function of the private sector. The acceptance of the public sector as an important employer does not seem to imply the destruction of the private sector in turn. The item on the promotion of public works programmes can also be cited as further evidence that unionists have conceived some important role for the private sector. Many of these public works programmes rely not only on the capital contribution of the public sector, but also on the promotion of public-private partnerships. It is impossible to tell, from a consideration of the survey alone, if COSATU has held these finely tuned positions prior to the struggle with government over privatisation. What is clear from the items that we have considered, is that the federation's response sits somewhere between a complete rejection of privatisation, and the pragmatics of compromise.

The policy on privatisation that COSATU adopted seemingly combines an ideological opposition to privatisation **and** the acceptance of a pragmatic position on the economy. Factored into this situation and impacting strongly on the policy positions of COSATU is the capricious policy environment of the post-1994 period. The item on the opposition to privatisation sees labour leaders as ideologically rejecting privatisation. This situation, combined with an unpredictable policy environment has propelled union leadership into defence, and this defence found its expression in the unity of leadership on privatisation policies. Succinctly put, the unity of COSATU leaders on a range of policy issues concerning privatisation is partly a function of the

unstable policy environment. This does not mean that the policy response to privatisation has been completely monolithic. The fact that the policy response includes both pro-market and anti-market elements suggests some kind of bargaining between possibly private sector and public sector unions in COSATU. It is only here that the difference between the public and the private sector unions would emerge. This difference has however been packaged, so that the final positions on privatisation represent a compromise between these different unions in COSATU. This is as much the claim of a National Union of Metal Workers' Union official (Gebhart, 1996).

When these policies are articulated, it does not distinguish between the public and the private sector unions, but all COSATU leaders speak with one, albeit compromising voice. This is why in spite of the differences between the private and the public unions, the responses in the survey are near unanimous. In contrast to the unity in the ranks of COSATU, the ANC is split on almost all of the items that we have covered in the survey.

The first notable difference between the ANC and COSATU leaders is found in their responses to GEAR. Whereas ANC leaders recognise an important place for neo-liberal economics, COSATU leaders are positioned in the opposite. The ANC leaders are not, however, consistent in terms of their acceptance of this economic framework. These inconsistencies are first of all seen in the distribution of responses to the privatisation of the public utilities. The ANC is divided between the nationalisers and the privatisers of the public utilities. The privatisers reflect most likely the influence of the growing African middle class in the ANC, whereas the nationalisers possibly represent pockets of progressive left wing influences remaining in the organisation.

We should emphasise again that these two "groups" are not attached to COSATU or the South African Communist Party. From the point of view of COSATU, those who resist the privatisation of Spoornet, Telkom and Eskom are potential allies in the alliance relationship. The only pattern that becomes visible in the opinions of leaders of the ANC is that there is an almost even split on the support for the nationalisation or privatisation of these concerns. The unambiguous transition from an acceptance of

GEAR to the privatisation of the core state assets does not follow automatically for ANC leaders. This inconsistency is not only applicable to the items on the public utilities, but also to the privatisation index. Support for privatisation measured on this index does not equal the solid acceptance of GEAR. There is here, in the opinion of ANC leaders, a slight deviation from one of the core elements of the free market economic orthodoxy, namely privatisation. Everything in the GEAR index points to the reduction of the role of the state, but ANC leaders appear reluctant to take the GEAR model to its logical end.

It is beyond the compass of the study to try and explain why the firm acceptance of GEAR by the leaders of the ANC does not result in overwhelming support for privatisation. It is, however, significant in terms of the strategic positions that COSATU adopts. The mere fact that privatisation as an issue is not yet settled in the ANC means that COSATU has a captive audience for its strong promotion of new alliance structures.

These alliance structures would have the function of deliberating about contentious issues, and would require ANC leadership to justify its policy decisions. COSATU seems therefore to be pinning its hopes on precisely these leaders who would still be willing to listen to alternative arguments on restructuring and privatisation. It is therefore safe to assume that COSATU's latest strategy is not completely ungrounded especially when we consider the data on the ANC leaders. In many of the single privatisation items, the undecided group constitutes such a significant proportion, that if committed, the opinions of the ANC would have a clearer pro- or anti-privatisation flavour.

These are the dynamics that the federation hopes would deliver more socially progressive policies on the restructuring and privatisation of state enterprises. This said, the growing confidence of the African middle class, and its continuing affirmation by ANC leadership, could still render COSATU'S strategy vulnerable. Many political commentators are already suggesting that the current ANC leadership has begun to develop strong social links with the growing African middle class and

bourgeoisie (Marais, 1999: 68). This new social class could potentially serve as a buffer and so prevent the development of more benign policies on privatisation. In fact, one can argue that if the march of this new group is not arrested, the ANC may emerge very soon as principally behind the whole privatisation drive. This comes out clearly in the item that states that "Trade unions should do all that is in their power to oppose privatisation." The majority of the ANC rejects this statement (64%, N=137). A meagre 18.2% of the respondents agrees with the statement, and it is the opinion of the present author, that together with the response on the TELKOM variable, the presence of pro-market thinking is unmistakable. It is difficult to tell why a pro-privatisation position appears so evident in these two items, and in particular the response on the TELKOM variable.

Both the ESKOM and SPOORNET variables still maintained much of the tension between the opposing camps, but it is decidedly dissolved with the TELKOM variable. It may, perhaps, have something to do with the nature of the industry, and the potential business opportunities that it presents. This will remain speculation but it does not significantly detract from the overall pattern of splits in the ANC.

The central question of the assignment is the elucidation of the policy positions that COSATU took on privatisation and restructuring. The analysis has suggested that a mere substantive or formal understanding of these positions is not sufficient. The institutional policy climate of uncertainty has also contributed to the current posture of the COSATU leadership. This led to a situation where the leadership of the federation took it upon itself to work out positions that escaped the vagary of government thinking at the time. This is why such a profound unity is registered with all of the responses on the items that we have examined. The concession COSATU made with regards to partial privatisation has been explained as the result of sustained pressure from business, political parties and above all, the electoral dominance of the ANC.

The other contributing factor has been the shift of thinking that took place in the larger private sector unions. This is one of the principal reasons why the COSATU response includes both an ideological rejection of privatisation and an acceptance of

the role of the private sector. These differences have however not been allowed to rupture official policy positions, and it remains remarkable that this policy consensus is reflected in the empirical data that we have analysed. In short, these institutional and organisational dynamics have produced the uniform responses that characterise the opinions of COSATU leaders in the survey. This description contains only one of the factors of the proposed theory of Levitsky and Way, namely electoral dominance. The other four factors in this framework have not produced enough conceptual leverage to literally explain the privatisation positions of the federation. This assignment takes the position that the policy positions of COSATU can be explained by at least three factors.

The *policy uncertainty* in the post-1994 period pushed COSATU leadership into a situation where they adopted policies on privatisation that transcended the specifics of any one situation. This is why these policies have such a **fundamental** orientation, and why it does not easily respond to short-term pressures like union competition. The second factor, namely *organisational dynamics* enables us to understand the policies of COSATU as compromises between the different unions in the federation. The result is the compromised positions that we saw in the attitudes of COSATU leaders. These responses include both an ideological rejection of privatisation **and** an acceptance of the role of the private sector. These compromised positions are however articulated in a uniform manner by COSATU leaders as we saw in the survey.

The third factor, namely the *electoral or party strength* of the ANC will be discussed in the following section. We note here in passing that the electoral strength of the ANC has catapulted COSATU into an acceptance of the need to continue its negotiations with government. Finally, the present author is arguing that although the differences in the ANC are revealing and extremely important, the significant point of difference is located between party and trade union federation. There is little evidence in the survey, and in the present relationship between party and federation, to convince the present author that these differences are simply “tactical” as Patrick Lekota seems to believe. Concluding this section on this note, we are now ready to answer the question on the future of privatisation in South Africa.

### 4.3 The Future of Privatisation in South Africa

This section will attempt to examine the *future* of privatisation from the point of view of Levitsky and Way's theory. Thereafter, the emphasis is going to be on the most recent privatisation plans of government and its significance for the future of privatisation. The following section will assess the future of privatisation in the context of the third research proposition.

#### 4.3.1 The Context of Privatisation

Four of the five variables in Levitsky and Way's framework have not enabled us with the necessary leverage to understand COSATU's present policy position. The failure to predict past and current policies does not mean that it is completely incapable of delivering some insights into potential trends in the future. The nub of the theory is to situate the response of labour within both a material and an institutional context. We will now look at each of the variables to purchase us the luxury of a prediction of the future of privatisation.

The assignment has argued that there are very few significant social linkages, if any, between party and labour to facilitate a common understanding of privatisation. Even if this were to be the case, then these so-called linkages have not prevented the immense tension and distance between labour and party on privatisation. The data have shown that policy differences on GEAR are large, and it is very difficult to imagine a rapprochement here. All indications are that new relationships are developing in the ANC so that social linkages are now built between party leaders and key figures in industry. Many of these key figures have been re-deployed into the public enterprises with the explicit mandate of restructuring it:

*“Such intercourse between the ANC and pockets of capital promises to further strengthen the power of the ANC, since the accumulation potential of African capitalists would be mediated by their standing with the ruling party. This along with the ANC's redeployment of figures into the parastatals and private sectors, potentially has the makings of a new elite stratum **dependent on a network of business/political links**” (Marais, 1999: 69) [My emphasis].*

Much of this reduces the explanatory impact of social linkages in enabling us to understand how COSATU may react to privatisation plans in the future. Social linkages are in reality **idea linkages** as this assignment argued earlier, but it is the interpretation of the same idea or ideals that lies at the heart of the conflict:

*“The reality is- if we want to talk about a site of struggle to ensure that we have a developmental state, this is where it is going to happen [the reduction of the size of the public sector]. If you talk about failure for this new government, this is **also** where it is going to happen”* (Fraser-Moleketi in Bell, 1999: 20) [My insertion].

This reflection by the Minister of Public Service and Administration concerns the same idea of the developmental state, but her interpretation implies that the public sector needs to be trimmed. She believes it is only when you have a lean and efficient state sector that you can talk about delivery. COSATU, in emphasising the same notion of the developmental state, does not believe that public sector employment should be reduced if you are serious about delivery. This point reinforces the view that seemingly similar ideas held by the ANC and COSATU are interpreted in different ways, and this gives rise to the conflicting strategies advocated by each of the parties. With this situation, no amount of social linkages can possibly explain COSATU's position on privatisation.

The second factor, party strength has retained its significance, because it does not appear likely that the ANC is going to be unseated quickly. This means that the bargaining around privatisation will continue to take place between the ANC and COSATU. There is therefore always a possibility of political trade-offs that may slow down the pace of privatisation. A classic example here is the local elections of 2000. We should not expect any major talks now about restructuring and privatisation of SPOORNET and TELKOM, or ideas about the impending job losses associated with it. At the same time, government will in its own way continue the privatisation programme, but steering it safely away from the contentious state enterprises. The assignment has also argued that leadership overlap is not so significant in enabling us to understand the position of COSATU.

After all, the Ministers of Public Enterprise and Public Service and Administration are members of the South African Communist Party. COSATU has not completely pinned its hopes on leadership overlap, but more so on securing greater influence in places where actual policy decisions are made. This, together with the fact that the ANC is slowly moving towards a pro-privatisation position, makes it less strategically significant to secure leadership overlap in the ANC. This is not to deny that leadership overlap is completely irrelevant, but the policy dynamics of the last five years are pointing to the need for new policy making units. Debates about leadership overlap, as a way of mutually influencing the position of government and union on privatisation, are likely to become irrelevant.

The fourth factor, union competition is still in its infant stage, and it would be foolhardy to suggest that COSATU has become more radical since the advent of trade union federations like FEDUSA. The dynamics of its policy formation process are not yet responding to the presence of other federations. There have been no major changes in its policy since the advent of stiffer competition with other trade union federations. It is therefore unlikely that this factor would have a material impact on current and future policy position of COSATU. This is partly ascribed to the fundamental positions that COSATU adopted, and as the analysis indicated, these positions do not easily respond to short-term factors.

Finally, COSATU leadership has made calls for a return to the values of consultation with the rank-and-file. The suggestion by Levitsky and Way is that if union leaders are more driven by their mass base, then this is likely to radicalise its position on economic reform. The current policy positions of COSATU have been maintained for the last four years, and unless there is a *force majeure*, it is expected that the policies will retain its current character. From both a retrospective and a **prospective** point of view, the theory of Levitsky and Way (1998) is inadequate in elucidating the policy positions of COSATU on privatisation. Policy instability, bargaining between COSATU affiliated unions and the electoral strength of the ANC are the chief factors explaining the policy positions of COSATU.



Pressure from business and the opposition political parties have intensified the pressure on the federation, but should not be regarded as the primary reasons for COSATU'S policies. In the final section, we are going to examine the most recent privatisation plans of government and speculate on its significance for the future of privatisation in South Africa.

#### **4.3.2 Privatisation: Co-operation or Opposition?**

Government announced recently the latest privatisation package. This includes the flotation of TELKOM by 2001 and a further 5% sale of the telecommunication operator (Chalmers, 1999; *Mail and Guardian*, 6 December 1999).<sup>21</sup> Four preferred bidders have been identified for the state's commercial forests and the sale of South African Special Risks Association (SASRIA). In addition, several of Denel's interests would be placed on the market (Chalmers, 1999). Government officials made it clear that Mbeki sees the acceleration of privatisation as an important priority. These announcements should be read with the earlier statements by the Minister of Public Enterprise that a legislative framework is in the offing.

The purpose of all these measures is to lend more security and stability to the government's policy of privatisation. Radebe said that these measures are intended to lay down the rules for both national and international players, and to provide certainty for the way forward (Chalmers, 1999). This move clearly has the purpose of answering some of the concerns around policy stability, but it appears to the present author to be more of a gesture towards national and international business. Both these components complained bitterly about government's putative lack of direction in this field. This policy clarity does not necessarily extend to organised labour as well. None of these plans has major labour implications, and there is no mentioning of SPOORNET'S and TELKOM'S retrenchment predicament.

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<sup>21</sup> Almost a week after these announcements, cabinet decided that the four major parastatals are going to be restructured. These announcements took care not to mention "privatisation", and it involves mostly structural changes to the mentioned state enterprises (Chalmers, 1999). The planned job losses at Telkom and SpoorNet have not been approved. This is lending further support to the position of the assignment that government is preparing for talks with organised labour.

These new plans do not therefore have as its primary target organised labour and the problems and obstacles of the last three months. Government is strategically playing its cards to pacify important sections of business, especially black business and at the same time, postponing the difficult talks with labour. A measure of this strategy is the situation at TRANSNET, where the latest reports of the parastatal indicate serious losses, but addressing these concerns head on may not be good politics, especially with the looming local elections.

The Minister of Public Enterprises' intervention in the SPOORNET debacle signalled government's essentially conciliatory stance towards organised labour. Both Radebe and his spokesperson, Nordien, reiterated the fact that no final decision has been taken on retrenchment at SPOORNET and TELKOM. These earlier interventions and recent plans might be interpreted as preparing the way for genuine discussions between labour and government on the contested issues at TELKOM and SPOORNET. What is the nature of these talks likely to be?

COSATU has consistently affirmed the importance of the alliance relationship, and it is improbable that they would not be supporting the ANC in the 2000 local elections. This may introduce the opportunity for tradeoffs between federation and party. The items on the agenda are likely to be the new regulations on labour flexibility, the introduction of NFA II, and of course the situation at the four major parastatals. Government has been under pressure from black empowerment groups to relax the "stringent" labour laws and to open the labour market for greater flexibility to enable budding entrepreneurs to survive (Marais, 1999). Mbeki's latest statement calling for the strengthening of the African business class means that government is less likely to make concessions in this area.

If we believe the reports on the state of TELKOM and SPOORNET, then some of these massive retrenchments are inevitable. The sensitive nature of the labour situation at these two state enterprises, however, means that no short-term and radical decisions are going to be taken by government. Government officials kept on repeating this assurance to organised labour. It is the opinion of the present author that government is going to pursue privatisation in all the other areas mentioned, but that it

would refrain from vigorously privatising at SPOORNET, TELKOM and maybe even ESKOM. This would give the necessary assurance to the private sector, while using this time to engage labour on TELKOM and SPOORNET. This time period is also likely to coincide with the development of the much feted privatisation legislation. There is a good possibility that the current losses at SPOORNET might be cross-subsidised with some of the estimated R 1 billion fiscal gains from the recent sales.<sup>22</sup> The privatisation legislation approved by parliament would give the present government greater political clout to deal with the retrenchment situation at the affected state enterprises. With the current pace of the restructuring programme picking up, COSATU could be faced with a very unfriendly political environment, then.

The essence of the talks between government and labour, however, is surely going to be on the introduction of an NFA II. These two players would have entirely different reasons why a commitment to NFA II would be paramount. COSATU believes that the current NFA approach is simply the change of ownership instead of internal restructuring at the work place. The federation has been calling for the renewal of the NFA and for its focus to be extended beyond mere consultation (COSATU Special Congress, 1999).

The new NFA must reflect the role that state enterprises should play in job creation as outlined in the RDP and the Presidential Job Summit. The federation has demanded that the NFA should outline the areas not for privatisation, and the conversion of the NFA into legislation to be made imperative. The NFA represents for COSATU an active attempt to influence the privatisation agenda, and if necessary at all costs, to slow down and constrain the process. Government has indicated its willingness to talk about the possibility of an NFA II, but its reasons may communicate different objectives. Jeff Radebe has in fact castigated management at SPOORNET for not following the processes set out in the NFA.

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<sup>22</sup> The most recent plans include giving R800 million to Transnet from the R1.4 billion sale of 20% of SAA to Swissair. It is believed that management at Transnet is going to be given *carte blanche* to deal with its debt situation (Chalmers, 1999)

The reality is that the NFA represents the only decent and non-conflicting way of discussing the hard realities of privatisation. Government's current experience with the NFA might give it enough confidence that important concessions can be wrought from COSATU. The non-privatisation areas that COSATU outlined are amongst others telecommunications, public transport and electricity. This is precisely where the current problems are located. Government is unlikely to concede to the full demands, because the deteriorating situation at SPOORNET would surely force its hand. Concessions could be made with the privatisation legislation, because there is no reason why COSATU'S proposed NFA cannot be synthesised with new privatisation legislation.

It is nigh impossible that a new wave of restructuring measures is going to be negotiated in the absence of concerns about employment. Agreements are likely to be negotiated around the size and timing of the job losses. The new legislation may stipulate the precise conditions under which retrenchments would be inevitable, and COSATU is expected to push for measures to constrain management to unilaterally take these decisions. The essential purpose of the new round of negotiations would be to extend the same policy stability to the affected parastals. The policy instability that organised labour faced on restructuring and privatisation is not going to be resolved unless the talks about an NFA II commence.

Until such time, the positions of COSATU on restructuring and privatisation are going to remain the same, and with the local election imminent, the federation's confidence about its positions will be evident. The governing party's electoral dominance means that COSATU will be committed, and not only in the proposed NFA talks, to negotiation about privatisation. It is naïve to believe that these talks are going to leave the federation untouched, but it may represent it with an opportunity to constrain the privatisation drive of government. One stark reality that we cannot avoid is the fact that COSATU is not going to emerge from the talks with a completely changed position on the opposition to wholesale privatisation and the privatisation of core state assets.

It may concede to retrenchments under very specific conditions, but it is the feeling of the present author that the federation will stand or fall on its stated privatisation policies. The NFA talks are unlikely to lead to the shedding of the notion of the developmental state. The chances are therefore good that the state will emerge after these talks as the major shareholder, but COSATU may conceive some role for private capital. Its current policy already acknowledges the importance of the private sector, albeit cautiously, but it is unlikely to agree to the state losing majority shares in the affected parastatals.

All of these dynamics are indicative of COSATU'S essentially "co-operative" character, and the federation is not predicted to principally oppose privatisation in all its forms. The pockets of "opposition" in COSATU are localised and do not reflect the current position on privatisation that includes both pragmatic and ideological elements. It arrived at these positions after much deliberation, and for the sake of the internal unity of the organisation, it is predicted that these positions would remain the basis of discussions with government. What COSATU would not however be able to prevent is retrenchment. It is immaterial whether the affected state enterprises are going to remain in state hands, but the planned restructuring necessitates retrenchments.

In conclusion then, it is the opinion of the present author that COSATU would not fundamentally change its current position in the short- or long term. This firmness of its position does not mean that it is not amenable to discussion with government on privatisation. These talks are unlikely to lead to a sea change in its positions, but the spectre of unemployment for its members is unavoidable. The essence of the talks on restructuring and privatisation is going to be concerns about distributing the social and economic costs of restructuring. Alternatively, much of the discussions are going to be focused on remedies to deal with the fate of the unemployed. New legislation is predicted to include the latter as well as the conditions under which retrenchment would be applicable.<sup>23</sup>

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<sup>23</sup> The meeting to discuss the possible tradeoffs between the alliance partners finally came. The role of the ANC as the dominant partner in the alliance was confirmed, but it had to make a number of

It is now possible to assess the *third proposition* that states "If there is a positive relationship between party and union, then privatisation is going to be expedited. If the relationship is negative, ensuing obstacles will slow down the pace of privatisation."

The proposition combines the **status** of the alliance relationship with the timing or **pace** of the privatisation programme. The pace of the privatisation programme was uneven in the last five years. It oscillated from the bold announcements of privatisation in 1995 to the slowness of concluding single privatisation transactions. The two rival explanations for this situation are the lack of capacity in the Department of Public Enterprise and the opposition from trade union federations. The first explanation does not carry much weight, because if government were serious about privatisation, the relevant department would have been bolstered. The fact that government has now upgraded the status of the Department of Public Enterprise does not mean that a new seriousness and purpose has suddenly set in.

The more likely explanation relates to the governing party's relationship with its labour ally, COSATU. The assignment has indicated how opposition to the initial announcements led to the NFA. The recent fracas at Transnet confirmed the centrality of the NFA as a tool that has been used by COSATU and other federations to slow down privatisation. The most recent talks between the ANC, SACP and COSATU again invoked privatisation in the context of the alliance relationship. It is clear from the above that the destiny of privatisation in South Africa is inseparable from the alliance relationship. There is also no doubt that the relationship has been subject to much strain, and it effectively blocked the smooth progress of privatisation policies. This evidence leads the present author to assert that the negative relationship between the ANC and COSATU has definitely slowed down the implementation of privatisation programmes, and so brings us to a confirmation of the third proposition.

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concessions (Haffejee, 1999). These include state funding for a comprehensive plan for retrenched workers and a national political centre as a new alliance structure. In return, COSATU and the SACP would support Mbeki's drive for the development of the African bourgeoisie, public-private partnerships and the "restructuring" of state enterprises. It should be noted that this was a meeting of alliance leaders and that many of the tradeoffs must still be given formal negotiating position and shape, and this is where the future NFA II talks between party and federation would be significant.

#### 4.4 Summary

The outstanding feature of the data on the opinions of labour leaders shows that COSATU leaders are united across a range of privatisation related issues. The data also show the fundamental rejection of GEAR by COSATU leaders. It has been argued that this unity is not simply an ideological unity, but represents the views of the major affiliates of COSATU. This united position of COSATU has been explained as the result of three different factors. The inchoate character of government's policies in the post-1994 period led the federation to search for more enduring alternatives. The unity in the opinions of COSATU leaders does not preclude a mix of ideological fervour and a pragmatic stance towards privatisation. This has been ascribed to the bargaining between the different affiliates in the federation. Both the overall institutional policy climate after 1994 and organisational dynamics have contributed to the position of COSATU on restructuring and privatisation.

In contrast to COSATU, the ANC appears to be fissured on especially the privatisation of core state assets and privatisation. ANC leaders have however firmly endorsed the macro-economic policy Gear. A particularly troubling aspect of the data on the ANC leaders has been the transition from Gear to privatisation. Whereas Gear has been strongly accepted, the opinions of ANC leaders on privatisation are deeply divided. This assignment has approached this point purely in terms of the strategic vistas that it opens for COSATU. The essentially unsettled nature of the ANC leaders' opinions on privatisation means that COSATU may have an audience in the ANC after all.

Government's recent restructuring announcements seem more intent in reducing the uncertainty of privatisation policies. The main beneficiaries of this process are national and international business. The difficult talks with labour seem to have been postponed in spite of the recent alliance meeting. The assignment has argued that government is going to pursue a privatisation programme that does not include the *full* restructuring and privatisation of the large utilities. Negotiations on the establishment of an NFA, or something similar in nature, are going to be opened soon, and it is here that the crux of the issues is going to be addressed. The most important issues would be the decision-making powers of management, and the conditions

under which retrenchments would take place. New legislation would detail these conditions as well as the remedies for the unemployed. COSATU is unlikely to emerge from the talks with a completely different position, but the assignment has argued that the federation would not be able to prevent the inevitable fact of job losses. The electoral dominance of the ANC has been hypothesised as binding COSATU to negotiations, and in the end, explaining the federation's essentially "co-operative" strategy. The final chapter will speculate briefly on some of the latest developments and suggests topics for future research.



## CHAPTER 5: CONCLUSION

### 5.1 CONCLUDING REMARKS

Government has just announced its latest restructuring and privatisation plans for the four major parastatals, Eskom, Transnet, Telkom and Denel (Chalmers, 1999). Eskom is to be unbundled into three separate businesses and Spoornet will also be restructured into three stand-alone businesses. A significant part of Transnet's debt is going to be taken over by government to allow the enterprise to continue with the privatisation of its subsidiaries.<sup>24</sup> The management proposals at Transnet to retrench 27 000 workers have not been approved, but it is believed that the voluntary retrenchments are continuing (Chalmers, 1999).

In addition, government has promised the publication of a comprehensive policy framework for the restructuring of the concerned state enterprises. It also promised that the national social plan would perforce be aligned with the transformation process at the state enterprises. Finally, government has indicated that private sector involvement is going to be increased in the affected public enterprises. Do these new plans significantly depart from the predictions made in the previous chapter?

The assignment has predicted that there are not going to be big talks about the restructuring and privatisation of the big parastatals. Government has just done the opposite, and it would appear as if the prediction does not fit the reality. The reality is that government has yet again fallen short of committing itself to full restructuring or privatisation of the parastatals. The structural changes that are considered do not mean that we have a major transferral of state property to private investors. The intention is merely to position these concerns to allow it to focus on its so-called core functions. COSATU's insistence on the developmental role of the state is still intact, and it is unlikely that these new measures are going to fundamentally reduce the state's share in these enterprises. The assignment has also predicted that inasmuch as the federation is not going to prevent retrenchments, the proposed 27 000 jobs at Spoornet would not

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<sup>24</sup> See note 22 for the latest position on Transnet's debt.

be lost either. The looming local elections make this kind of action politically risky. Government has not approved the proposed job losses at Spoornet, thus confirming the sensitivities around the Spoornet situation. Another prediction was that no new wave of restructuring measures is going to take place in the absence of concerns about employment. In this regard, government has indicated that it would align the social plan with the transformation process at the affected state enterprises. It expressed concerns about the social and economic burdens of unemployment resulting from restructuring. These concerns were evident when Spoornet announced the massive job cuts that it intended to implement.

Government has also indicated that it intends to publish a comprehensive policy framework for the restructuring of the state enterprises. It goes without saying that this framework is far from being the new law, and it would only be given final form after discussions with labour. The present author interprets this as government's **basic positions** that will be negotiated with COSATU and other federations. The only feature of the new policy announcements that was not predicted is the unbundling of Eskom and Spoornet. Discussions with labour will be focused here as well, because this re-positioning of these concerns is likely to lead to job losses. In short, there is nothing in the new announcements to affect a change in the position of COSATU on restructuring and privatisation.

These announcements were followed by a meeting of the alliance leaders with the aim of resolving the differences around government's economic policy (Randall, 1999). The significance of the meeting lies in the agreement to form a new structure that will have the function of dealing with the differences in the alliance. Randall (1999) feels that the new structure would, paradoxically, concentrate power in the hands of ANC leadership.<sup>25</sup> The new structure has as its first responsibility to co-ordinate the holding of a full and formal alliance meeting. This lends more credence to the fact that

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<sup>25</sup> Incidentally, Steven Friedman of the Centre for Policy Studies feels that the new structure is simply going to paper over differences, unless the positions of the meeting are sold to ordinary members (in Randall, 1999). We can note in passing that internal dynamics within COSATU focused precisely around leadership and not ordinary members. Selling the positions to ordinary members is not **the** main issue, but it is the nature of future discussions and formal agreements between party and federation that are crucial.

leadership overlap is not the decisive factor in influencing policy positions. COSATU and the SACP consented to the restructuring drive of the government, but as yet, no details are known about what this means. If government emerges from these meetings and negotiations stronger, then some of the factors in the theory of Levitsky and Way (1998) might become more important. There is no doubt that the party strength of the ANC contributes massively to its ability to wring concessions from its alliance partners. It is highly unlikely that COSATU would eventually fully capitulate, but if it does that, then union competition will definitely come to the fore. It will be facile for trade union federations like NACTU to convince workers that COSATU's alliance with the government is going to exact huge costs and sacrifices from them. This can bring about a similar scenario as in Poland where deals with the governing party have substantially vitiated the position of Solidarity Union.

COSATU leaders would be aware of this, and this will only intensify the nature of the battles that must still be fought. The gentlemanly spirit that apparently permeated the alliance meeting bears virtually no relation to the rough patches that lie ahead. These are all the factors that would bear on the genuine discussions between government and COSATU on the finer details of restructuring. Our interests in these new developments are purely based on the question if these latest developments have the capacity to change the federation's position on privatisation and restructuring. COSATU support for Mbeki's cultivation of an African business class means the further easing of existing labour legislation for small black businesses.

Although it is an important concession, it does not deal directly with the situation at the four big state enterprises. The further easing of the basic conditions of employment for small businesses, in return for welfare's expedition of an income support grant, does not change much either. The real deal is the federation's support of "restructuring"<sup>26</sup> for which it won a comprehensive social plan for retrenched workers. If government is to be believed that it wants to minimise job losses at the

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<sup>26</sup> Apart from the structural changes at Eskom and Spoornet, and the new management contract for Denel, little else is known about the proposed restructuring. We do not know the nature and size of the job losses, nor are we told about the time frames of restructuring. The observer is also not told if these concerns are restructured with a view towards their eventual privatisation.

parastatals, why has it bothered to gain COSATU's consent for restructuring? This only reinforces the view of the present author that job losses are inevitable, but COSATU now has to deal with what number it considers acceptable. It is the opinion of the present author that agreement on this will be sought in the social plan for the retrenched workers. This plan is likely to be made consistent with the *Skills Development Act of 1998* and redeployment proposals.<sup>27</sup> If government and COSATU cannot find agreement here, or in the new structure, then there is not likely to be an agreement in the first place.

The latest situation is also a powerful reminder of the "co-operative" dynamic, which binds COSATU to informal and formal talks with the government. It is the opinion of the present author that until such discussions about restructuring are held, the position of COSATU will remain the same. This is an opportune moment then to restate the questions that guided this present inquiry. The first question aimed at explaining the positions that COSATU took on restructuring and privatisation. The inquiry led us in the end, not only to a formal understanding of these positions, but also to the dynamics of decision-making in the federation. The formal understanding of these policies brought to the fore the opposition to wholesale privatisation and the opposition to the privatisation of the core state assets.

This opposition did not emerge in any patchy manner in the survey, but exhibited a unity and consistency in both congress resolutions and the opinions of leaders in the survey. Both the formal policies and the unity it expressed were argued to be a function of the prevailing policy environment in the post-1994 period. The policy uncertainty on privatisation led to a situation where the federation's leadership was forced to develop policy positions that went beyond the vagaries of government

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<sup>27</sup> The *Skills Development Act of 1998* provides for sectoral training authorities whose function is the training and re-training of workers. The idea is to absorb a mass of workers who are currently employed, and with retrenchments looming, to give workers more skills. The emphasis is on the flexibility of worker skills, or multi-skilling to increase their chances of finding alternative employment.

thinking. This is why the present author has referred to it as **fundamental policies**, because they have been shown not to respond to short-term pressures. Neither so-called social linkages, leadership overlap, trade union competition nor dependence on the rank-and-file has changed the complexity of these policies in the last four years. In spite of the challenges of the latest developments, COSATU is unlikely to shed its current policy stances. In this, it would be aided by the present legal and political machinery, which enable casualties of restructuring to be re-absorbed into the workplace. The unity of these positions has been attributed to the bargaining that took place between the various affiliated unions in COSATU. The compromise resulting from the bargaining makes it possible to discern both pro- and anti-privatisation forces present in congress resolutions and the opinions in the survey. The crucial point to take away here is that leadership has not allowed these differences to fracture the federation, and this is why the policies come out consistently in the opinions of COSATU leaders.

The dynamics of policy uncertainty and the bargaining that took place in COSATU have produced the policy positions that COSATU adopted. An important factor that has emerged here is the fact that public sector unions are now the largest component in COSATU. After five years in government, the ANC government is now facing a united federation with very strong public sector unions in its midst. The second question examined the essential posture of the movement in terms of its willingness to engage the governing party. The assignment has argued that the ANC's electoral dominance or *party strength* has bound COSATU to negotiation and bargaining. The same situation would perhaps not have existed if the ANC were not able to command such a majority of the votes.

Party strength is not likely to disappear in the near future, and it is the contention of the present author that the federation's "co-operative" dynamic will continue. This translates into a policy position that is not absolutely opposed to privatisation, and that tries to seek some common ground for the contributions of both the public sector and the private sector. The commitment to negotiation does not mean that the federation is at any minute ready to abandon its policy positions, because these positions have guided it for the last five years, and are unlikely to change quickly. There are

significant pockets of opposition in COSATU, but leadership has been able to navigate all the different constituencies into the acceptance of unity in the federation. It is remarkable that after five years of wrangling with government on the issue of privatisation, COSATU seems finally able to have convinced government to consider the costs of privatisation. It could not have achieved this without the instrumental role of leadership, which has literally guided the ship in the last five years. COSATU leadership has not only constrained the privatisation drive, but it also succeeded in welding together disparate forces in its own ranks. The price that leadership had to pay for its successes is its alienation from the rank-and-file. The drive to re-connect with its membership is unlikely to alter its current positions, and ironically, it will go into negotiations with the full backing of its neglected constituency.

Privatisation will remain a contested issue in the future, and recent optimism about the restructuring of the big parastatals is not enough to obviate the challenges that lie ahead. Government, because of its narrow focus on privatisation, has not succeeded in developing a productivity consciousness in the public sector and the private sector. The enduring tussle between it and COSATU has created the false impression that the economy is dependent on a change of ownership in order to improve and to deliver greater employment. There are positive signs that the governing party no longer treats Gear as a shibboleth, and COSATU has begun to accept some inevitable economic realities. These new postures of party and union are now making it possible to look beyond mere labels, and to genuinely find ways of reviving the employment creating ability of the South African economy.

## **5.2 FUTURE RESEARCH**

COSATU has for long pinned its hopes on new alliance structures. One possible question to explore is what would happen to COSATU's basic position on privatisation if the vaunted new national political centre were successful? How would the policy positions respond to strategies of co-option? Another angle of interest is the relationship between the leaders and the rank-and-file. What levels of concessions would the rank-and-file deem as acceptable, and would deep concessions to government lead to discontent amongst the rank-and-file? Would the rank-and-file prefer to voice their discontent through COSATU, or any of the other trade union

federations? Linked to this is the attempt of COSATU leadership planning a "return" to the importance of the rank-and-file. If we accord the planned future talks the status it deserves, then enormous strain is inevitable. Government would use the planned talks to negotiate a fundamental package with its alliance partners. This requires compromise at precisely a moment the trade union federation plans to become sensitive to the concerns of the rank-and-file. The demands of negotiating in good faith with the government might be at odds with the basic concerns of COSATU's members.

The assignment has repeatedly made mention of the unity in the ranks of COSATU leadership. Another question to explore is to examine the mechanisms and processes that made this unity possible. This has obvious significance in terms of leadership in a society in transition. Finally, will the future talks between the alliance leaders fundamentally slow down privatisation and even change the direction of the programme? Are there any indications that government is moving more firmly to COSATU's preferred private-public partnerships as a way of changing the direction of privatisation? These are only some of the questions that future research needs to grapple with, because it is clear that the last bridge in the privatisation debate is yet to be crossed.

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