

The political economy of labour market flexibility in South Africa

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Declaration

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Abstract

The impact of globalisation can be found in every aspect of human life. Globalisation has also brought about changes in the world of work, such as the call for labour market flexibility, which has restructured the workplace. This study focuses on the implications of labour market flexibility for workers in South Africa and for trade unions, within the context of the introduction of a macroeconomic neoliberal policy in South Africa in 1996. The study examines the changing nature of employment and work in a company in the South African retail sector, namely Pick n Pay.

Labour market flexibility comes about as companies try to compete and cut costs at the expense of workers. This implies a reduction of protection and benefits and has resulted in the creation of a 'working poor' labour segment. Trade unions have been ineffective in providing a voice and representation for the new working poor. This study argues that under conditions of economic globalisation, trade unions are disempowered and flexible labour market practices are introduced to cut costs in order to maintain market share and increase competitiveness.

Economic globalisation has pressurised the South African government, and the African National Congress (ANC), to shift gradually to the right and to adopt a neoliberal macroeconomic policy. This has led to an increase in inequality, unemployment, new forms of insecure jobs and the creation of an informal economy. This study found that instead of creating jobs and alleviating poverty, the government's Growth, Employment and Redistribution Strategy (GEAR) has resulted in retrenchments, downsizing and restructuring. The unemployed, retrenched and working poor find themselves in the 'second economy'. The retail sector in particular makes use of labour market flexibility in order to compete for market share. Pick n Pay is an example of a retail company that increasingly makes use of flexible labour market practices. This study found that labour market flexibility has created a situation that trade unions find difficult to deal with, and that labour market flexibility has been accompanied by increasing inequality, which overlaps with race and gender identities. Furthermore, Pick n Pay maintains flexible employment under conditions of increased productivity and contrary to labour legislation.

Opsomming

Die impak van globalisering kan in elke aspek van mense se lewens waargeneem word. Globalisering het verandering in die wêreld van werk teweeggebring, soos die aandrang op arbeidsmarkbuigsaamheid wat tot die herstrukturering van die werkersmag gelei het. Hierdie studie fokus op die implikasie van arbeidsmarkbuigsaamheid vir werkers in Suid-Afrika, en die implikasie vir vakbonde in die konteks van die inwerkingstelling van 'n makro-ekonomiese neo-liberale beleid in Suid-Afrika in 1996. Verder ondersoek die studie die verandering in die aard van indiensneming en werk in 'n Suid-Afrikaanse maatskappy in die kleinhandelsektor, naamlik Pick n Pay.

Buigsaamheid in die arbeidsmag ontstaan wanneer besighede in 'n poging om kompetender te wees, uitgawes ten koste van werkers besnoei. Dit bring die vermindering van beskerming en voordele mee, wat tot 'n arbeidsegment van 'arm werkers' lei. Vakbonde kon nie 'n stem en verteenwoordiging aan hierdie nuwe segment van arm werkers gee nie. Hierdie studie voer aan dat ekonomiese globalisering werkersunies magteloos laat terwyl buigsame arbeidsmarkpraktyke aangewend word om kostes te sny ten einde marktaandeel en verhoogde kompetisie te verseker.

Ekonomiese globalisasie plaas meer druk op die Suid-Afrikaanse regering, die African National Congress (ANC), om 'n verskuiwing na regs te maak en 'n neo-liberale makro-ekonomiese beleid te volg. Dit het gelei tot verhoging in ongelykheid, werkloosheid, nuwe vorme van onsekere werkseleenthede, en die skepping van 'n informele ekonomie. Die studie bevind dat die regering se Groei, Indiensnemings- en Herdistribusiebeleid (GEAR), wat veronderstel was om werk te skep en werkloosheid te verminder, eerder tot meer afdankings, afskaling en herstrukturering gelei het. Die werklose, afgedankte en armwerkerskorps bevind hulself nou in 'n 'tweede ekonomie'. In die besonder maak die kleinhandelsektor gebruik van arbeidsmarkbuigsaamheid om vir 'n deel van die mark te kompeteer. Pick n Pay is 'n voorbeeld van 'n kleinhandelmaatskappy wat toenemend gebruik maak van arbeidsmarkbuigsaamheid. Die studie kom tot die slotsom dat arbeidsmarkbuigsaamheid 'n situasie geskep het wat vakbonde verlam het, en wat met 'n verhoging in ongelykheid wat verder met ras en geslagsidentiteite oorvleuel, gepaardgaan.

daarby maak Pick n Pay gebruik van buigsaame indiensnemingspraktyke onder omstandighede van verhoogde produktiwiteit, in weerwil van arbeidswetgewing

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List of Abbreviations

ABET = Adult basic education and training

ANC = African National Congress

ASGISA = Accelerated and Shared Growth Initiative for South Africa

BBBEE = Broad-based black economic empowerment

BCEA = Basic Conditions of Employment Act

BEE = Black economic empowerment

BPO = Business process outsourcing

CAPES = Confederation of Associations in the Private Employment Sector

CCMA = Commission for Conciliation, Mediation and Arbitration

CEO = Chief executive officer

COSATU = Congress of South African Trade Unions

ECC = Employment Conditions Commission

EEA = Employment Equity Act

EIA = Environmental impact assessment

FDI = Foreign direct investment

FEDUSA = Federation of Unions of South Africa

GATT = General Agreement on Tariffs and Trade

GDP = Gross domestic product

GEAR = Growth, Employment and Redistribution Strategy

HSRC = Human Sciences Research Council

ILO = International Labour Organisation

ILRIG = International Labour Resource and Information Group

IMF = International Monetary Fund

JIPSA = Joint Initiative for Priority Skills Acquisition

LEP = Labour and Enterprise Policy

LFS = Labour Force Survey

LMF = Labour market flexibility

LRA = Labour Relations Act

NACTU = National Council of Trade Unions

NALEDI = National Labour and Economic Development Institute

NEDLAC = National Economic and Labour Council

NGO = Non-government organisation

NUM = National Union of Mineworkers

OHS = October Household Survey

PMG = Parliamentary Monitoring Group

PPP = Public-private partnership

RDP = Reconstruction and Development Programme

SACCAWU = South African Commercial, Catering and Allied Workers Union

SACP = South African Communist Party

SDA = Skills Development Act

SER = Standard employment relationship

UCT= University of Cape Town

UIF = Unemployment Insurance Fund

UKZN = University of KwaZulu-Natal

WTO = World Trade Organisation

Chapter 1: Rationale of the study, literature review and research methodology

1.1 Rationale of the study

The South African economy has grown, but the standard of living of labour has not improved in line with this growth. The benefits of economic change have largely gone to capital, not to labour and the unemployed or marginalised. The process of globalisation is closely related to a self-regulating market that brought about flexible jobs such as casuals, outsourcing and subcontracting. These flexible jobs have removed minimum wages and benefits of workers. Bond (2005:198) observes “globalisation disempowered anyone advocating anything remotely progressive in terms of social policy, workers’ rights, and gender equality” and “the dramatic rise in global inequality these past two decades is simply an unfortunate side effect of the broader prosperity and inevitability associated with globalisation”. Labour market flexibility has also increased gender and racial inequality. For instance, more women have entered the workforce, but they occupy more insecure jobs as compared to men. On the racial side, the majority of the population who are employed as flexible workers are black. Workers have been drawn into flexible jobs that are insecure and that pay less. Labour rights and the bargaining power of trade unions have been reduced as well. The nature of employment is no longer what it used to be in some sectors of the economy, such as the retail sector. The aim of the study is to examine the effects of labour market flexibility (as a feature of neoliberal economic globalisation) on workers in South Africa’s retail industry, for example in Pick n Pay. The main focus is on casual, subcontracted, outsourced and temporary workers. This study claims that flexible workers, such as casuals, temporary workers, outsourced and subcontracted workers earn less than permanent employees. Statistics on this will be provided. Those who have been drawn into flexible jobs are seen as the working poor.

1.2 Literature review

Wessel (2007:1) claims that globalisation is a double-edged sword (meaning that it can be either a help or a hindrance to South Africa's aspirations). The boom years of globalisation have stood the South African economy in good stead since 1994. For example, the South African economy has been growing at 5% annually for the past decades, faster than in the past years (years before 1994). Globalisation has brought about dramatic changes in the transactions and interactions taking place among firms, states and people in the world. It facilitates an increase in the flow of ideas, images, people and behaviours (Woods, 1999:20). Dollar (2003:3) shows that opening up to the international economy, participating in trade and attracting foreign direct investment (FDI) helped to reduce poverty and accelerate growth in some countries such as China, Uganda, India, Mexico, Brazil and Bangladesh.

Technological changes, which have generated new possibilities in global economic activity, allow firms to organise production globally using new means of communication and new, more flexible techniques of production. Globalisation, through trade and financial liberalisation, benefits economic growth in emerging markets, such as Vietnam, China, Uganda and India in general and South Africa in particular. Trade liberalisation in South Africa has led to an increase of 50% in gross domestic product (GDP) per capita (Loots, 2002:1). Capital liberation (the flow of money from one country to the other) is associated with an increase of 34% in real GDP. Trade and financial liberalisation has helped South Africa to experience an increase in FDI flows since the emergence of globalisation. It has been estimated that 98% of the current growth performance in the country can be explained by the forces of globalisation (Loots, 2002:1).

Dollar (2003:3) argues that in many African countries, the unavailability of decent jobs, job insecurity, the lack of old age support grand and other quality-of-life issues are not caused by globalisation only, but are also caused by political instability and poor economic growth. Poor governance is certainly part of the problems in these areas. Afrol (2001:1–3) indicates that job creation has increased under globalisation, but that the quality of jobs in certain sectors such as the retail and manufacturing industries has decreased, with well-paying jobs being substituted for flexible, insecure jobs that only help to create a class called the

working poor. Employment has been created but not sufficiently for poverty reduction. Trade unions express concern over these trends, which they believe to be part of the phenomenon called globalisation (Afrol, 2001:1–3).

The emergence of globalisation has put pressure on the ANC government to adopt a neoliberal policy in the form of the Growth, Employment and Redistribution Strategy (GEAR). Globalisation has changed the nature of employment. For instance, workplaces in post-apartheid South Africa are undergoing a process of work restructuring, especially in companies, such as Pick n Pay. Permanent employment has been reduced. Many workers (men and women) have been drawn into flexible forms of employment, such as casuals, temporary workers, subcontractors and outsourced workers. Retailers are increasing the use of flexible workers to maximise profits and reduce costs at the expense of workers (Kenny, 2005:8; Mkhabela, 2005:8). Workers' income, benefits and protection have been reduced. The workplace is no longer a place where workers can make a decent living but has become a place where workers work without benefits (Mkhabela, 2005:8).

Mantashe (2005:4) points out that permanent jobs have been replaced by flexible jobs that lack a "standard employment relationship". Theron (2005:296) argues that "standard employment relationship" implies that workers work full time (this implies that workers have one employer), work in the building of an employer (this indicates that there is a workplace that is controlled by the employer) and that workers are appointed permanently (the assumption here is that there must be a full-time contract of employment, not a fixed-term period or contract). Basically, the standard employment relationship has been challenged, especially after 1994, when companies began to use labour agencies or labour brokers. Flexible jobs, such as casual work, temporary work, subcontracting and outsourcing, have shifted workers from a protected working environment with regular wages, regular hours and social benefits to insecure employment with unpredictable hours and low wages and without social benefits. Again, Mkhabela (2005:8) argues that in the retail industry employment has increased, but much of the employment is casual and part time and workers are not protected. The money they earn is far too little to afford basic amenities such as electricity, food, housing and water. Given this context, the deepening disempowerment of people is an ironic side effect of South Africa's emergence from

apartheid into the world of neoliberal globalisation (Mantashe, 2005:4; Von Holdt and Webster, 2005:3–30).

Happonen *et al.* (2006:15–16) indicate that the growing interest in temporary employment, casual employment, outsourcing and subcontracting emerged from a concern for the marginal group in the labour market and labour market flexibility. *Casual employment* means working less than 24 hours per week without benefits and job security. *Subcontracting* means the contracting out of so-called non-core services such as security, merchandising (shelf packer) and cleaning to labour brokers or labour agencies. Subcontracting implies an indirect form of employment of people by companies through labour brokers. Labour broker or agency labour “is based on the contract whereby an agency recruits employees and then places them at the disposal of a user company to perform a task” (Happonen *et al.*, 2006:15). For example, in 1996, Hyperama subcontracted its directly employed shelf packers to labour brokers; the workers worked full time for low wages without benefits. *Outsourcing* refers to the process whereby workers in a standard employment relationship get reduced, especially in a business’s noncore services. The point is that a relationship of subcontracting is created between the core business and a contractor or satellite enterprise (Kenny, 2005:234). *Temporary and part-time employment* is explained as precarious, non standard and atypical or contingent work. The common forms of temporary employment are direct fixed-term contracts and temporary employment through specialised agencies (agency labour). In case of a fixed-term contract, the contract is defined by certain conditions (for example, expiry dates or the finishing of a particular task). Temporary employees are employees who do not have a permanent (open-ended) contract, including participants in special employment programmes (Happonen *et al.*, 2006:15–16). Casuals, temporary workers and subcontracted workers (flexible workers) are unlikely to be members of trade unions whereas full-time workers are usually members of trade unions (Kenny, 2005:234).

Theron (2005:311–313) pointed out that labour market flexibility had impacted upon workers and trade unions. He argues that the dramatic increase in flexible jobs has reduced the rights of workers and has significantly reduced the bargaining power of trade unions. According to Buhlungu and Webster (2005:253) flexible workers are not covered by and

treated according to the “basic conditions of employment acts”. The chances of their being hired and fired at any time are high. Trade unions are no longer effective in organising workers under such fragmented conditions. Many workers are employed in a non-regulated environment. The laws are flexible enough, and this is precisely the reason why companies such as Pick n Pay can employ so many temporary workers, casuals and subcontracted workers. Theron (2005:311–313) argues that workers have been losing organisational power at the workplace level and have become marginalised. Workers have no chance to lodge complaints regarding their working conditions and other related matters.

The researcher claims that globalisation is closely associated with inequality. For instance, women have been marginalised and made invisible in the workplace by being casualised and subcontracted and given temporary jobs. Kenny (2005:234) argues that certain sectors such as the retail sector are employing many women as casuals and temporary workers. She says that flexible jobs have been associated with women especially in the retail sector. The researcher claims that casual workers, especially women in the retail sector (Pick n Pay in particular), occupy insecure and part-time positions. They tend to be employed in low-paid, insecure jobs with minimal legal protection. The implications of labour market flexibility for women are that women will remain unprotected and discriminated against and where jobs are created they will be attended by poor working conditions experienced by women in the secondary labour market (second economy). With greater labour market flexibility, the position of women in the economy will be undermined, since this implies decreased benefits (such as maternity benefits) and less flexibility with regard to working hours and parental responsibilities. It is clear that labour market flexibility operates on the basis of gender and that women are more likely to be employed as casuals, part-time workers and temporary workers with few benefits in the market economy (Henitz, Orr & Tregenna, 1998:16). Scholte (2005:339) notes, “The cost of neoliberalist global economic restructuring has tended to fall disproportionately on women” (Scholte, 2005:339).

However, globalisation is not the only source of inequality. The system of patriarchy (gender subordination) has created inequality between men and women. The system of patriarchy is embedded in most social contexts across the world (Scholte, 2005:334–335). Looking at race, one sees that many African men are working as subcontracted workers, especially in the

mining and manufacturing industries. Qobo (2007:111) argues that inequalities exist between major metropolitan areas and black rural areas and that the second line of inequality occurs significantly along racial lines and constitutes what Rob Davies has characterised as “two poles of the single integrated economy” (Qobo, 2007:111). The majority of African workers, both men and women, have been drawn into labour market flexibility in some regions. For example, the wine factory in wine lands (Western Cape) employs a majority of Xhosa people as subcontracted workers (Ewart & Du Toit, 2005:112; Qobo, 2007:111).

Unemployment has increased since the beginning of globalisation in South Africa in the early 1990s. The study claims that globalisation has contributed to an increase in unemployment. With economic globalisation and technological changes creating rapid changes in labour markets, the possibility of one’s job being restructured and lost is very high. Job losses in the formal sector of the economy, excluding the agricultural sector, are estimated to have increased. Unemployment is affecting mostly the black and coloured population. Poverty has increased as well, and it is concentrated in the black and coloured population (Qobo, 2007:111).

Flexible jobs have been gaining the upper hand in the retail industry. The researcher claims that flexible jobs have reduced the wages of workers. Kenny (2001:6) argues that flexible workers are poor workers who cannot empower themselves from the types of job they are drawn into. She argues that more than two million people and families in South Africa are still poor and their standard of living is very low. They earn too little to afford all the basic amenities such as water, electricity, health care, education and so forth. Marais (2001:123–133) states that the possibility of alleviating poverty is very slim as long as labour market flexibility does not increase workers’ wages. Flexible workers will remain poor and underpaid (paid below the minimum wage). The indication is that labour market flexibility did not deliver decent wages and/or salaries to the poor (Hirsch, 2005:163).

Pick n Pay is an interesting case to use in discussing flexible work practices. Retailers such as Pick n Pay have been involved in the use of flexible labour in order to compete, to reduce costs and to increase efficiency. Retailers prefer casuals and temporary workers to permanent workers even if companies perform well. This trend resulted in the rise of job

insecurity among many workers. Supermarkets such as Pick n Pay use flexible labour for three reasons: to decrease labour costs, to cover overtime hours and extraordinary shift hours and to allow for relatively easy deployment of labour (Kenny, 2005:234). The quality of jobs is reduced, with well-paying jobs being replaced by flexible jobs that reduce the wages of workers. The quality of jobs is decreasing because of the typical globalisation trends such as labour market flexibility, privatisation, downsizing and outsourcing in the retail industry (Afrol, 2001:1–3).

As claimed above, labour market flexibility does not provide decent jobs. Labour market flexibility helps companies to reduce costs and maximise profits at the expense of workers. Flexible jobs will do very little to improve the living conditions of poor people; very little is gained by workers. The implications of labour market flexibility with respect to casual work and subcontracting are not good because workers work long hours and there is no pay for overtime work. As claimed, labour market flexibility delivers very little to the poor in the form of benefits and rewards (ILRIG, 2001:77–89).

1.3 Research methodology

The study used the qualitative method as a research method. The qualitative method is a relevant method to have been used because the research question that was designed involves describing and understanding the effects of labour market flexibility: a focus on casualised, temporary and subcontracted workers in a retail company called Pick n Pay. However, one could also have used quantitative data analysis for this study.

The research question is “What are the implications of labour market flexibility on workers”, and this can be researched using the qualitative method to collect in-depth information. According to Babbie and Mouton (2001:270) the qualitative method refers to collecting information and analysing it in the form of words. Qualitative research is a broad approach based upon the need to understand human and social interaction from the points of view of insiders and participants in the interaction. The qualitative method is process oriented: It is oriented towards studying processes over time rather than outcomes. It is a thick description method that entails a great deal of detailed information (that is, it gathers a range of information on a small number of selected cases). It involves context sensitivity; it

places a strong emphasis on many aspects of the social, historical and physical context for understanding the world. The aim of this study was to describe, understand and explain the implications of labour market flexibility for workers. The qualitative method uses research techniques such as interviews for explaining, describing and understanding the effects of labour market flexibility. For this study, Interviews were not used. Information from many sources related to the study was collected and interpreted.

1.4 Conceptualisation

As indicated by Babbie and Mouton (2001:109) conceptualisation is the process through which people specify what they mean when they use particular terms. In this study, the following concepts and phenomenon were part of the researcher's conceptualisation process: neoliberalism, globalisation, free market economic policy and labour market flexibility. *Economic neoliberalism* means increased world trade, growing free market forces, rising competition between people, firms and countries and reduced government intervention in the economy. It encourages a free market economy. Economic neoliberalism involves the recognition of property rights, the move towards privatisation and the free movement of labour and money (Horton, 1992:54–63). Horton states that economic neoliberalism emphasises the rule of the market and the liberalisation and deregulation of the economy in order to help unfetter the private sector to develop and grow. That will allow a trickle-down effect to the poor. In order to achieve this trickle-down effect, labour costs need to be reduced and the state must step aside to allow the market to regulate itself. Privatisation of state-owned assets, goods and services must take place. The idea behind privatisation is that the private sector can manage goods and services much better (Horton, 1992:54–63).

Globalisation is a process characterised by increased integration between and within countries, accompanied by an increase in the movement of commodities, capital (physical and financial), labour and technology (Bond, 2005:198; Hough & Neuland, 2007:19; Lange, 2007:19,). Barker (2007:144) argues that globalisation means the opening up and deepening of international trade, finance and information into one integrated world market economy. Trade, investment and finance, the three aspects of globalisation, share a common theme,

which is “freeing up movement across national borders” (Scholte, 2005:57). Scholte explains globalisation in terms of *internationalisation*. Scholte states that the term *internationalisation* involves the growing of transactions and interdependence among countries. From this point of view, a global world is one where money, ideas, investments, people, information and merchandise cross the borders between countries (Scholte, 2005:57).

Scholte (2005:56–57) also argues that globalisation implies *liberalisation*. Here the point is that globalisation involves the process of removing imposed constraints or barriers on the movement of resources among countries in order to create an open and borderless world economy. From this perspective, globalisation emerges as an authority removing controlling measures such as trade barriers, foreign exchange limitations, money control and visa requirements. Scholte (2005:57) indicates that globalisation is explained in relation to universalisation. From this point of view, globalisation is explained as a process of disseminating different objects and experiences to people in many parts of the world. On this platform (universalisation), globalisation means worldwide and everywhere. Globalisation as universalisation is suggested to mean standardisation, harmonisation and economic, cultural, political and legal convergence. For example, some economists suggest that globalisation has to be assessed in terms of the degree to which prices for certain goods and services need to be the same across countries (Scholte, 2005:57).

Labour market flexibility “refers to the extent to which an enterprise can alter various aspects of its work and workforce to meet the demands of the business, for example the size of the workforce, the content of jobs, and working time” (Barker, 2007:127). It implies being subjected to lower wages and less regulation and fewer benefits such as sick leave. Labour market flexibility is characterised by the following types: *Numerical flexibility* refers to the adaptability of the size of the enterprise’s workforce to change in demand for the products or service supplied. Casual employment, subcontracting and outsourcing are examples of numerical flexibility. *Wage flexibility* refers to the move from formal pay systems to performance-based pay on the basis of team or individual work. *Work flexibility* refers to the process whereby firms use the patterns of working time through ongoing shift systems, part-time work, temporary work and job sharing (Barker, 2007:127). In other

words, firms tend to maintain profits by reducing costs through subcontracting, casualisation and downsizing the labour force.

1.5 Chapter outline

The second chapter will examine and discuss the globalisation process, looking at its strengths and weaknesses. The main focus will be on its implications for workers and trade unions. Under the impact of globalisation, many employers agree that the labour market in most countries is rigid and needs to be more flexible to allow efficiency. Many companies have been facing the pressure to reduce costs and become more globally competitive. From this point of view, companies started to retrench workers and restructure the workforce. Unions aim to promote the interests of workers and to protect them from arbitrary treatment, but under the impact of globalisation, trade unions find it difficult to organise workers (especially flexible workers).

Unions find it much more difficult to organise part-time and casual workers into unions because these flexible workers seem to be less interested in joining unions. Trade unions find it difficult to trace flexible workers, especially if they move in and out of employment or between jobs all the time. Casuals and subcontracted workers may leave their jobs any time, and they may leave union membership (if they have joined) more easily than permanent workers. Chapter 2 will conclude by examining the impact of labour market flexibility on workers. Theron (2005:290) indicates that patterns of employment have changed, different types of contract have increased and new forms of flexible work have taken its course. These factors have led to the reduction of workers' benefits and wages and also to the removal of legal protection (Theron, 2005:290).

The third chapter will focus on South Africa, discussing the following policies: GEAR and the Accelerated and Shared Growth Initiative for South Africa (ASGISA). The adoption of GEAR in 1996, which differed from the original developmental policy of the Reconstruction and Development Programme (RDP), implies strong measures to maintain fiscal discipline as a means to deficit reduction and accelerated economic growth. The rationale for this policy (GEAR) continues to be debated. Bond (2005) argues that GEAR has been successful in protecting macroeconomic stability, but that it has not addressed the long-term growth and

employment performance of the economy. As a result of this situation (stability without growth), flexible jobs, unemployment and poverty remain high and inequality has started to increase as well. This chapter will explain the emergence of the second economy that has been created by the neoliberal policy (GEAR) via globalisation.

The fourth chapter will discuss a South African case study, namely Pick n Pay. Kenny (2005:226) argues that a new workplace-order has been created, and that it is associated with market hegemony (market leadership). Competitiveness, growth and reduction of costs have put pressure on companies to restructure their workforce relations. The restructuring of the workforce and the introduction of labour market flexibility have limited workers' actions. Kenny argues that South African food retailers such as Pick n Pay are characterised by degradation of conditions of employment and reduction of workers' benefits and wages. Basically, this chapter will show the implications of labour market flexibility on workers in Pick n Pay. Kenny (2005:226) states that labour market flexibility undermines the collective bargaining power of workers.

The concluding chapter (Chapter 5) will highlight the main implications of globalisation for workers and trade unions. It will also highlight the effects of labour market flexibility on workers, especially under the impact of globalisation. It will summarise the main findings from the case study of Pick n Pay.

Chapter 2: Globalisation, inequality, the impact of globalisation on trade unions and the impact of labour market flexibility on workers

2.1 Introduction

The last decade has been characterised by the process of globalisation, a process that involves an increasing degree of market openness and more integration among countries and within the global economy in general. Market openness has to do with an increased cross-border movement in capital, people and goods and the transfer of technology and information. Trade unions as workers' representatives have been placed on the defensive by the process of globalisation. Globalisation has undermined the capacity of trade unions to organise workers and makes it difficult for unions to deal with capital as firms move from one country to the next. It has been estimated that between a third and half of all jobs created in the world in the period 1980–1996 could be explained as flexible employment in the phase of labour market flexibility. Labour market flexibility (reduced regulation and protection of workers) is targeted at the secondary labour market, with the aim of reducing labour costs. This chapter is divided into three parts: Part one discusses globalisation as phenomenon, looking mainly at its strengths and weaknesses, part two discusses the impact of globalisation on trade unions, and part three discusses labour market flexibility, especially its implications for workers. These implications are that the most vulnerable workers will remain unprotected, their wages will be decreased, they will be discriminated against and where jobs are created they will involve poor working conditions.

2.2 Globalisation

Jeffery and Whalley (2008:74) define globalisation as a process characterised by increased integration among and within countries, and it involves an increase in the movement of commodities, capital (physical and financial), labour and technology. Bond (2008:1) argues that the global economy is at the centre of globalisation and is its primary focus. Privatisation and deregulation are at the heart of globalisation. Deregulation means removing all trade barriers and opening a country up to foreign investors. It involves

allowing foreign businesses to operate freely in a country on the basis that the country's businesses in their turn have the freedom to trade in foreign countries. Privatisation means selling state-owned enterprises to private companies and putting government out of control of those enterprises. The economic rationale behind privatisation is that government cannot run businesses more efficiently than private individuals or the free market. Private ownership rather than government ownership can produce better services at lower prices. Magubane (2002:106) points out that globalisation is seen as the institutionalisation of the idea that the state does not stimulate wealth but that it consumes wealth. From this point of view, the state's role in the economy needs to be reduced through liberalisation, privatisation and deregulation. This will attract investments and create economic growth (Magubane, 2002:106). This is called a better standard of living (Bond, 2008:1).

Jeffery and Whalley (2008:74) suggest that globalisation intends to integrate the world market by joining together national commodities such as capital, financial and currency markets into one market that functions according to a specific set of rules. Globalisation has been driven by multilateral institutions, transnational corporations and the governments of advanced industrialised countries. It has been made possible by the innovation of new information and communication technologies. These new technologies have enabled capital, finance and commodities to move much quicker from one country to the other. In an important sense, globalisation has come together with the demands for removing all regulations and other barriers in countries. These barriers are blocking the free movement of commodities, finance and capital but not specifically labour (Davies, 2008:1–2).

Dollar (2003:3) and Jeffery (2007:14) argue that poor economic growth is related (especially in certain parts of Africa) to poor governance and weak institutions. Dollar (2003) and Round (2007) suggest that the ongoing conflict in some African countries is an obstacle to economic growth. However, since the emergence of globalisation, economic growth for many countries has increased constantly. For instance, Africa's growth performance (GDP per capita) is associated with globalisation. Recent estimations have suggested that per capita growth is increasing very well with rates of up to 2.1 and 2.8% being recorded in 2003 and 2004. Since the early 1990s many developing countries have put more effort into attracting FDI and the ones that succeeded have been those dealing with exporting fuels

and mining products and those who are fast-growing exporters of manufacturers. In Africa there is a growth in FDI. The growth in FDI is thus another growth path created by globalisation (Jeffery; 2007:4-5; Stiglitz; 2002:67).

The chances for increased economic growth arise from the fact that world trade is growing much more quickly than GDP and the movement of capital (international capital) has increased as well. The increased flow of capital has resulted in an increase in FDI for many countries. For example, South Africa has been the main foreign direct investor within the African continent. Large-scale operations are undertaken by different private companies as well as former parastatals such as Portnet via Eskom, Spoornet and others. Telecommunications companies such as MTN and Vodacom are operating abroad and they have investments in countries such as the Democratic Republic of the Congo and Nigeria (Daniel, Naidoo & Naidu 2003:374; Melber; 2008:2). One could make a claim that this has to do with South Africa's transition and its acceptance of the neoliberal economic paradigm, which makes it possible for South African business to seize and in some instances monopolise the opportunities created by the global economic regime that encourages market penetration (Daniel *et al.*, 2003:376–377; Daniel & Lutchman, 2005:485).

With regard to economic growth and development, manufacturing industries are growing and have a significant physical, banking and human resource base, and they have developed good global competitive strategies in various activities such as mining equipment, metallurgy and paper (Michie & Padayachee, 1998:624–625). The mineral and energy sector is driving the South African economy very well. The economy is highly controlled by conglomerates with different interests in the manufacturing, mining and financial industries. Michie and Padayachee (1998:624–635) point out that this represents economic power for South Africa in terms of production.

Srinivason (2008:22) argues that some individuals and groups of people in a society may be poor because the social and political processes of their society disadvantage them. For instance, social institutions such as the various forms of racism in some countries and/or the caste system in India did not allow people equal access to the socio-political process. However, globalisation has been linked to poverty in many countries, such as African countries. According to BBC News (2000:2) the number of poor people has increased,

almost doubling from about 164 million to 313 million. In Africa, Progress in terms of poverty reduction has been very slow. The percentage of poor people in Africa rose from about 11% to approximately 29% in 2001, and in South Africa the level of poverty has not changed. Jeffery and Bussolo (2008:152) point out that in Ghana poverty is much higher among the rural population. Rural areas contain about 80% of the poor, and those living in the savannah regions show the highest poverty ratios. Households living in Accra are considered less poor than other urban groups (Bussolo & Jeffery, 2008:152).

“Poverty is everywhere and the gaps between the poorest and the richest people and countries have continued to widen” (Xavier-sai-i, 2003:3–5). He argues that the United States, which is the richest country in the world, has more than 60 million poor people. The European Union, which is the world’s foremost trading power, has over 50 million. Roberts (2004:488) demonstrates that there is a correlation between poverty and the labour market. He points out (in the KwaZulu-Natal Income Dynamics Survey) that many people losing their jobs and/or receiving reduced labour wages became poor between 1993 and 1998. The KwaZulu-Natal Income Dynamics Survey, a study of nearly 1 200 African households for the period 1993–1999, gives a good indication of post-apartheid poverty trends. According to the survey measures (expenditure-based measures), poverty rates have increased from 27% to 43% and the distribution of wealth in South Africa is not equal (Robert, 2004:484).

Altman (2003:160) argues that globalisation is not the only contributing cause of unemployment. He points out that unemployment is increasing for all race groups but that the group affected most by unemployment is black people. According to Altman (2003:160) the main contributing causes of unemployment in South Africa are an increasing labour force due to population growth, increased participation of women in the workplace and fewer job opportunities. “South Africa’s unemployment rate has increased from 1 912 471 in 1990 (unemployment rate of 15.91%) to 4 789 582 in 2002 (unemployment rate of 30.51%)” (Buhlungu & Webster: 2005:251). There has been a reduction of employment since the beginning of globalisation.

Stiglitz (2002:59) argues that globalisation and, by implication, its features such as trade liberalisation and privatisation have failed to reduce unemployment but rather increased it. The fact that the problem of unemployment is continuing and is even getting worse means

that globalisation did contribute to removing the jobs of many people. Buhlungu and Webster (2004:239) argue that the majority of clothing companies are based in Cape Town and since the introduction of trade liberalisation the majority of workers have lost their jobs through retrenchment. Stiglitz (2002:59) notes that “it is easy to destroy jobs, and this is often the immediate impact of trade liberalisation, as inefficient industries (those created under the protectionists) close down under pressure from international competition”. He suggests that less new jobs and less decent jobs would be created. He concludes by saying that taking away resources from low productivity uses (that is, inefficient industries) to zero productivity (unemployment) does not make a country rich (Stiglitz, 2002:59).

Koelble (2004:61) argues that there have been few socio-economic benefits since South Africa’s transition to democracy and global neoliberal policy. He argues that job losses have increased in many provinces in South Africa. For example, in the agriculture and mining industries, job losses have been worse three years after apartheid. With regard to the public sector, the privatisation process has blocked basic service delivery such as electricity, sanitation, running water, transport and communication, and this impediment has increased unemployment and has given public sector trade unions cause to deal with job losses (Koelble, 2004:61). Michie and Padayachee (1998:632) point out that seven years after apartheid, almost 422 000 jobs have been shed and that the level of employment in the private sector has dropped by 2.7% in 1996.

With regard to the impact of globalisation on employment, from 1995 to 1997 trade flows have reduced employment in the manufacturing sector (Bhorat et al., 2002:14). The period from the 1980s has witnessed the start of South Africa’s tariff liberalisation and the General Agreement on Tariffs and Trade (GATT). Free trade flows have contributed to decreasing employment in the manufacturing sector (Bhorat *et al.*, 2002:15). They argue that employment creation has been outpaced by growth in the labour force. For example, the number of people entering the labour market (including men and women) has increased by five million from 1995 to 2002, but only 1.6 million people were employed (Burger, Louw & Van der Berg, 2007:9.) From this point of view, the growth in employment has failed to incorporate the majority of the population in the country. Dibben (2008:112) argues that unemployment has increased by 37% in 2003.

The public sector in South Africa employs the majority of the population. The South African government has emphasised the selling off of state assets (privatisation) and deregulation, which has involved the process of public sector restructuring (Bhorat *et al.*, 2002:13). This transformation process by the government has had an impact on workers in South Africa. For instance, many jobs have been lost in the public sector since the year 1995 (Bhorat *et al.*, 2002:13). Semi-skilled workers have lost their jobs and shares in employment (Bhorat *et al.*, 2002:13). Pillay (2008a:50) argues that from 1995 to 2000 almost 200 000 jobs were lost in the public sector, following the international trend towards downsizing and outsourcing. Pillay indicates that 20 000 of these job losses have been in the telecommunications sector, where the parastatal Telkom was preparing itself for privatisation. Privatisation as a feature of globalisation means selling a state-owned enterprise to private individuals or organisations or to outsource some services to private business to render the service previously provided by the government (Neuland, 2007:142–143). Since 1994 major job losses have occurred in the mining sector, such as gold mining, and in the manufacturing industry, such as clothing, leather and textiles. According to Statistics South Africa, quoted in Pillay (2008a:48–49), the number of jobless people has increased from 16.9% (approximately two million people) in 1995 to 26.7% (4.5 million people) in September 2005. Basically, close to eight million people (38.8%) were without jobs in 2005 out of the potential labour force of close to 20.1 million (Pillay, 2008a:48–49).

Koelble (2004:58) points out that the level of inequality has increased in South Africa. Instead of inequality being reduced to a lower level, it has increased to such an extent that South Africa is seen as one of the most unequal countries in the world (Koelble, 2004:58). For example, South Africa has been placed in the third position on the list of most unequal societies in the world (Jacobs, 2002:286). The level of unemployment is high, at approximately 40% (Jacobs, 2002:286). The unemployment rate is high among black people (26.8% in September 2008), unemployment is also high among the coloured population (20.6%), unemployment among Indians is 8.2% and the unemployment rate among the white population is 3.8% (Statistics South Africa, 2007). This indicates that white people are more employed as compared to black people. For instance, from 1996 to 2002, 55% of white people were employed in the formal sector as compared to the black population (only

28% of the black population were formerly employed in the formal sector) (Burger *et al.*, 2007:9). The black population is the most unemployed group in the country. Part of the reason for the high unemployment among blacks in the country is the lack of skills needed for economic growth and changes (Burger *et al.*, 2007:9).

According to the Labour Force Survey (LFS) (Statistics South Africa, 2007) unemployment is high in provinces such as Limpopo, Gauteng and KwaZulu-Natal. For example, the unemployment rate in Limpopo is 27.3%, in KwaZulu-Natal 30% and in Gauteng 17.4% (Stats SA, 2007). Rural areas are characterised by a high rate of unemployed women. Buhlungu and Webster (2004:234) point out that 47% of women in rural areas are unemployed. "These are the truly disadvantaged" (Buhlungu and Webster, 2004:234). Jacobs (2002:286) points out that close to 45% of people in South Africa live in poor families that earn about R352, 53 per month per person. The poverty level is high especially in rural provinces; the figure has increased to above 50% (Jacobs, 2002:286). With regard to poverty and income, 61% of the black population are poor as compared to 1% of the white population. Jacobs indicates that the white population are at the top of the income scale as compared to the other racial groups. For example, 65% of white families earn a sufficient income, followed by 45% of Indian households. Only 17% of coloured families and 10% of black households earn a sufficient income (Jacobs, 2002:286). The percentage of white families who earn below the poverty line is very low (3%), and 4% of Indian families earning below the poverty line. With regard to coloured and black people, the gap between them in terms of income inequality is not wide (Bhorat *et al.*, 2002:6).

South Africa and Brazil are seen as highly unequal in terms of income compared to other countries in the world. Brazil has an even higher level of income inequality than South Africa (Bhorat *et al.*, 2002:6).

Young (2006:115–116) points out that globalisation has increased gender inequality in many parts of the world. Many women have joined the workforce around the world, but what they earn is not equal to what men earn. Feminisation of labour, as a key characteristic of globalisation, has been as much an aspect of new inequalities for women. Young (2006:124) indicates that there are two main faces of global restructuring: The first is the masculinised tech-macular capitalism (TMC) of the high-technology world of global finance, trade,

production and telecommunications. This represents the most familiar picture of globalisation in the neoliberal growth-orientation mode, where technology and increased circuits of production, trade and finance depict an ever-stronger form of capitalism. The second face of global restructuring is the less visible and more explicitly sexualised, racialised and cross-based sphere of low-wages, low-skilled menace service provided by mostly women migrant workers. The increased gender inequality is due to the dramatic advance of globalisation and neoliberalism (AIDC, 1998:5; Young, 2006:124).

Amoore (2006:20) argues that as big businesses replace full-time protected workers with part-time, temporary and contracted unprotected workers, they also tend to replace men with women. The apparent feminisation of the workforce that has accompanied global restructuring has made it particularly important to view women as actors in global restructuring and recognise gender in terms of power at work within the process of change. Kenny (2001:3) points out that the new kinds of flexible employment such as casual work are more likely to be occupied by young, black and female workers than full-time, permanent workers. Subcontracted merchandisers are mostly men between the age of 26 and 31. Ninety-five per cent of workers are either casuals or contracted workers, and 85% of the workforce is women. IFWA (2003:3) indicates that when there is a heavy workload, women are expected and forced to work overtime of 12 hours per day. With greater labour market flexibility, the position of female workers tends to remain low, since this flexibility implies reduced benefits (such as maternity benefits) and less flexibility with regard to working times and parental responsibilities (Henitz, Orr & Tregenna, 1998:4).

Gelb, quoted in Qobo (2007:113), argues that globalisation has changed the macroeconomic constraints of the state in South Africa. It was not easy for countries such as South Africa to avoid the strong pressure of the global dispensation in the post-1980s. The adoption of GEAR in South Africa is closely related to the phenomenon of globalisation. GEAR was strongly affected by neoliberal prescriptions about growth and investment (Magubane, 2002:97). Its aim was to increase fixed investment in South Africa by opening the country to global financial investment. GEAR differed from the RDP (the ANC policy before GEAR) in that it emphasised the need for economic growth first and redistribution later. It was much more concerned about neoliberal features. It focused on the idea that creating an investor-

friendly climate would allow the South African economy to grow faster, which would result in job creation and wealth redistribution (Magubane, 2002:96). GEAR emphasised the need for making the labour market more flexible, for privatising state assets and for eliminating government expenditures (Magubane, 2002:96).

Magubane (2002:100) argues that globalisation has brought about major changes in industrial policy. The ANC government has tried to achieve its objective of economic growth by providing a stable economic environment to guide industry in the direction of export-led growth (Magubane, 2002:100). The concern about industrial policy comes from the view that with the absence of industrial policy, South Africa cannot achieve development in the agriculture and industrial sectors (Magubane, 2002:100). There are two major assumptions about industrial policy in South Africa: The first one is that the South African manufacturing industry is not effective because of previous import-substitution policies, and the second one is that the mining sector is not performing very well due to the inefficiencies of past apartheid-state-led development (Magubane, 2002:100). The only way to address this crisis is therefore to increase ANC openness to the world market in order to achieve export-led growth and a rolling back of state interference in the economy. The rationale behind this is that trade liberalisation programs are needed such as reducing tariffs, as suggested by the World Trade Organisation (WTO) and the GATT. This will help industries to import machinery and goods at world prices and firms will grow in terms of producing more for export (Magubane, 2002:100).

Magubane (2002:102) points out that the impact of globalisation has occurred at the level of ideology as well. For example, globalisation has had a strong effect on the line the ANC government has taken toward social welfare provision. The effect has occurred in the manner in which the state and its operations are being changed in line with the demands of globalisation. For instance, in South Africa and elsewhere, developmental welfare states are seen as big, socialist and interventionist, but this image has now changed to that of a lean and mean state under globalisation (Magubane, 2002:102). When the ANC came into power in 1994, it announced the Reconstruction Development Programme (RDP), seeing the country as a national democratic developmental state. The launch of the RDP was an attempt by the state to intervene in the economy, not minimalist as explained by neoliberal

globalisation. The RDP sees development as a great tool for redistributing goods to rural and urban areas, and the RDP favours redistribution through growth plan. The RDP has changed since 1996 when the ANC launched GEAR under the tremendous pressure from globalisation (Magubane, 2002:102).

Magubane (2002:91) suggests that globalisation has limited the capacity of the ANC government to represent the population who voted for it. The ANC is now faced with the challenge of how to maintain the momentum of socio-economic changes in the era of globalisation. The decline of national economies and state power under the impact of globalisation is connected to the movement of money, which is seen to have the freedom to enter and leave the market and economies freely. This transnationalisation of money has had an impact on state autonomy. Magubane (2002:93) indicates that the movement of investment money has created a process whereby a state's powers over its economy are reduced. The notion of supranational money, labour and information flows has the power to undermine the sovereignty of the nation-state. The basic argument is that with regard to a globalised financial system, states do not have the freedom to exercise power over their national economies because states whose policies are not wise enough to deal with private financial traders will lose the value of their currency and their access to money will be abolished (Magubane, 2002:93). Again, in a globalised separation of labour, states lack the capacity to initiate the action in but states react to global economic forces (Magubane, 2002:93).

2.3 Impact of globalisation on trade unions

Buhlungu (2003:184) argues that the trade union movement has played a key role in the liberation struggle in South Africa since the 1980s. During the apartheid regime, the trade union movement in South Africa was separated into two groups, namely insiders and outsiders. The division emerged at the same time with race, access to jobs, legal protection and recognition (Buhlungu, 2003:184). The term *insider* refers to white workers who had political and industrial citizenship and whose trade unions were granted legal protection from the government (National Party). As insiders, white workers had rights in the workplace and they were protected (Buhlungu, 2003:184). The term *outsider* refers to black

workers and their trade unions, for example the National Union of Mineworkers (NUM). As outsiders, black workers and their trade unions were not given political and industrial citizenship, as compared to white workers (Buhlungu, 2003:184). The division of white and black workers came to an end in 1979 when the ruling party (National Party) admitted that it was no longer necessary to separate workers. Then the apartheid government established the Wiehahn Commission to bring together the labour relations dispensation under one law called the Labour Relations Act (LRA) (Buhlungu, 2003:184).

Since 1994, the majority of black workers have joined trade unions that are affiliated with one of the three big trade union federations, namely the Congress of South African Trade Unions (COSATU), the Federation of Unions of South Africa (FEDUSA) and the National Council of Trade Unions (NACTU) (Buhlungu, 2003:193). However, the arrival of democracy as well as the arrival of globalisation is generating political and class groups and this has caused a problem for trade unions in the country (Buhlungu, 2003:193). The transition to democracy has created a situation in which trade unions are facing a democratically different political economy (Buhlungu, 2003:193). The South African economy is no longer separated from the world economy, and the globalisation process has integrated the South African economy into the world economy (Buhlungu, 2003:193). This has brought about big challenges for trade unions.

One of the major functions of a trade union is to protect the rights of workers. This includes providing assistance to employees in the case of unfair dismissals, unfair labour practices and unfair discrimination. The term *trade union movement* refers to “an association of employees created principally to protect and advance the interests of its members (workers), through collective action, and to regulate reactions between employees and employers” (Barker and Holtzhausen, 1996:153). Trade unions normally negotiate collective agreements on behalf of their members (workers) with employers on wages and work conditions such as working hours, safety at work and benefits (Barker and Holtzhausen, 1996:153). The impact of new technology on workers in the early 1990s was identified as one of the great challenge for the labour movement in the world. Globalisation and technological advance also contribute to structural unemployment among the large proportion of older, less-skilled workers who may not be able to keep pace with changing

technology and skills needs in the increasingly knowledge-driven industries (Wong, 2000:5). This technological advance has decreased the number of full-time employees who belonged to existing trade unions, along with the ratio of organised labour. Trade unions lost their members because workers, who lacked the ability or means to learn new skills or were too old to change, lost their jobs through retrenchments (Camdessus, 1996:3).

Buhlungu and Webster (2005:266) point out that the major trend that challenges the future role and relevance of trade unions is the demand for greater labour market flexibility. The dramatic increase in flexible employment has significantly reduced the bargaining power of trade unions. Trade unions such as SACCAWU, NUM and COSATU have complained that it is difficult to organise flexible workers because they seem to be reluctant to join trade unions. In addition, casuals, temporary workers and subcontracted workers are difficult to organise because they do not have stable employment contracts like permanent workers. They frequently move in and out of employment or between jobs. For example, one of the biggest trade unions in South Africa, COSATU, points out that the union is struggling to find a better way to successfully recruit atypical or vulnerable workers, many of whom are young men and women (Pillay, 2008a:56). Kenny (2001:2) indicates that the emergence of new types of employment such as casual and subcontracted workers has depressed the power of trade unions to recruit such workers. Associated with globalisation, labour market flexibility is an issue that the unions in the retail industry are struggling with almost every day. For example, SACCAWU is one of the unions that struggle to organise this new kind of worker (Kenny, 2001:3). Kenny argues that labour market flexibility erodes conditions (such as that workers must work eight hours a day and that they are entitled to trade unions and minimum wages) for which organised labour has struggled for years. As young women and men enter the labour market as casuals, they are excluded from an experience with organised labour (Kenny, 2001:9).

Bezuidenhout and Buhlungu (2007:256) argue that subcontracting is also an issue that unions such as the NUM are struggling with in the construction industry almost every day. They argue that subcontracting is probably the single most serious threat to trade unions' bargaining power and workers' solidarity in post-apartheid South Africa. It exposes unions' vulnerability and separates workers (permanent and nonpermanent) from each other.

Bezuidenhout and Buhlungu (2007:256) indicate that trade unions such as the NUM have complained that it is difficult to draw workers employed by subcontractors into unions because when these workers show some interest in joining unions, they are fired instantly. Subcontractors dismiss workers instantly because they know that there are many workers who are hunting for employment and who are ready to fill the vacancies of those dismissed. From this point of view, trade unions are losing their bargaining power to organised workers under such difficult conditions. Trade unions lack the organisational capacity that would enable them to build a sustainable support base, and they lack the power to defend and enforce the labour laws (Bezuidenhout & Buhlungu, 2007:256). Buhlungu (2003:193) indicates that the retail sector is the most affected by the development of flexible forms of work. Trade unions are not making any progress in organising workers in the growing insecure forms of jobs.

Buhlungu (2003:193) argues that globalisation has confronted trade unions with great challenges. For instance, globalisation has tipped the capital labour balance of power in favour of the employers. In the early 1990s, trade unions had the initiative and were able to dictate the pace and direction of change through the use of different types of mass action such as strikes. However, the move to trade liberalisation through the process of globalisation has given capital the power to seize the initiative and has put trade unions on the losing side. Buhlungu indicates that trade unions still have the capacity to mobilise and take industrial action; however, such activities are no longer powerful and are back-to-the-wall defensive strategies in a situation where workers are faced with high unemployment and retrenchment rates (Buhlungu, 2003:193). Globalisation has facilitated the movement of money from one region of the world to another and from country to country. For example, some South African and foreign firms were relocated to other African countries where labour markets are seen to be more flexible. The move of a number of Taiwanese industries from Ciskei to Swaziland after 1994 is a clear example. This relocation has restricted the options of trade unions in dealing with workers' issues (Buhlungu, 2003:193).

With regard to the free flow of labour from one country to the next, trade unions have found it difficult to organise foreign workers (Urata & Shuto, 2008:155). For example, the increasing number of foreign workers has made it difficult for trade unions to recruit

workers. In many cases, workers from other countries are not directly employed by the company they work for but they have been recruited by labour agencies to work for a particular company. Most of the workers are working as part-time employees and their jobs are not stable (Urata & Shuto, 2008:155).

2.4 Labour market flexibility

Labour market flexibility “refers to the extent to which an enterprise can alter various aspects of its work and workforce to meet the demands of the business, for example the size of the workforce, the content of jobs, and working time” (Barker, 2007:127). It also has to do with reducing regulation and protection of workers. Labour market flexibility involves the use of nonregulated employment contracts such as subcontracting or outsourcing (Lasierra, 2008:38). There are three main forms of labour market flexibility: *Employment or numerical flexibility* refers to the ability of employers to lay off employees. Employment flexibility means that employers have the ability to retrench workers instantaneously with ease. When employers want more workers, they will make use of low cost workers (casuals or temporary workers), and when they are no longer needed the workers will be easily laid off. The process of globalisation has been characterised by increased use of casual and temporary employment. *Wage flexibility* means that employers are not forced to pay a certain amount for a certain number of hours worked and are able to build in more performance pay, not standard payment. *Work process flexibility* refers to the way in which production and grading are organised, and it allows employers to shift workers between sets of tasks, and alter work times and work practices (Horton, 1999:4).

Why labour market flexibility? The argument is that labour market rigidities (which have to do with job protection or security) do not allow industries to be as productive as they should be because they are not able to adjust to technological changes or transformation, changing economic situations, external shocks and increasing international competition. The labour market therefore does not function as efficiently as it should, and productivity outcomes are not good. Enterprises therefore shift to capital-intensive technology or lose market share. The result of this in certain enterprises is a drop in employment (Barker, 2007:127).

2.5 Types of labour market flexibility

Contract of employment flexibility has to do with employers' ability to cancel the contract of employment at any time and with whether or not the employer is limited in terms of his or her recruiting decisions. It involves the ability of the employer to have recourse to the so-called "atypical employment contract" (Barker, 2007:128). Examples of atypical employment contracts are part-time work, casual work, temporary work, seasonal employment and outsourcing. Contract of employment flexibility includes other types of flexibility: *Wage flexibility* is affected by, for example, the introduction of a minimum wage and the extent to which wages are connected to performance. *Working time flexibility* refers to normal working time or overtime, working on weekends, working on holidays and working at night. *Work organisation flexibility* is controlled by the extent to which new forms of work organisation are introduced, for example through the multi-skilling and multi-tasking of workers and the extent to which team work is encouraged (Barker, 2007:128; Horton, 1999:4; Voladia, 2001:873).

Labour market flexibility or atypical employment is a more flexible type of employment whereby workers in many cases are not part of the company and do not have a long-term relationship with an employer. Labour market flexibility is called noncore zone, referring to the informal sector that, because of global competition, is occupied by semi-skilled and unskilled workers in nonsecure jobs, such as temporary workers, casual workers, part-time workers and some type of contracting employment (Nedlac, 2006:1; Pillay, 2008a:51). "Casualisation" means the process whereby standard employment is displaced by flexible employment such as temporary or part-time employment; this mostly takes place at the workplace of the employer and employment continues to be controlled by a contract of employment. Externalisation refers to a process of economic restructuring whereby standard employment is displaced by employment that is regulated by a commercial contract. This involves the employment of an independent contractor for a specific task such as merchandising (Barker, 2007:131).

Barker (2007:133) argues that flexible employment or atypical employment is used in many countries in Europe, such as the Netherlands and Australia, to such an extent that atypical

employment has become known as a part-time economy. Even in South Africa the use of casuals and temporary workers has become widespread. According to an International Labour Organisation (ILO) survey a total of 82.5% of industries have employed temporary workers, and this has increased to 89% in 2003 in South Africa. Subcontracting and outsourcing are the second most preferred forms of atypical employment. A survey undertaken in the greater Johannesburg metropolitan area in 1999 indicated that the use of part-time workers has increased by 300 to 400% between 1995 and 1998 (Barker, 2007:132–133).

Nadlec (2006:4) indicates that in the formal retail sector it was found that on average only 35% of employees have permanent contracts; this figure does not take into account the subcontracting of noncore services such as cleaning and security. The retail industry has resorted to increased casualisation of employment. For example, in Pick n Pay 60% of workers are casuals and part-time employees (Kenny, 2001:3; Pillay, 2008:50–51). Seventy per cent of workers in one of the South Africa's largest formal retail outlets, Woolworths, are casuals (Nadlec, 2006:4). Pillay (2008a: 50–51) points out that the mining sector, especially gold mining, and the manufacturing sector have increased the use of subcontracted and outsourced labour. In construction, casual labour can be as high as 60 to 80%. Casual employment in the metal and engineering industry has increased by 272% between 1999 and 2002, temporary labour by 41% and subcontracted labour by 322%. A study that the National Labour and Economic Development Institute (NALEDI) was part of last year showed that the metal and engineering industry prefers to employ workers via labour agencies. For example, in the metal and engineering sector, companies have increased their use of labour brokers by 800%; this is also labour market flexibility (Pillay, 2008b:1–3).

2.6 Impact of labour market flexibility on workers

Labour market flexibility is disadvantaging workers by reducing wages. Many flexible workers such as casuals and subcontracted workers are earning lower wages than permanent workers. Kenny (2001:5) indicates that subcontracted workers earn far less an hour; in fact, on average they earn close to what casuals earn (R7 per hour). They have

dramatically fewer benefits than permanent employees. For example, 94% of permanent workers receive benefits, mostly in the form of a pension or provident fund and a bonus cheque. According to the LFS, 17% of all workers earn less than R500 a month, a third earn less than R1 000 a month and about 60% earn less than R2 500 a month. Pillay (2008a:53) observes that “these are what COSATU calls the working poor, and stand in contrast to the R56 million the CEO of national supermarket chain Shoprite Checkers earned in 2005” (Pillay, 2008a:53).

Cock (2005:342–343) also points out that in January 2005, there were casual workers in some sectors of the economy, such as the chicory farms in the Eastern Cape, earning as little as R10 a day. Barker (2007:134) points out that temporary workers who are employed via temporary employment service earn lower wages than other employees, such as permanent employees. Kenny, cited in Buhlungu and Webster (2005:252), argues that families supported by casual and temporary wages alone are more likely to have a lower standard of living. Kenny, cited in Buhlungu and Webster (2005:252), states that flexible workers earn very little per hour; for example, casuals usually earn R7 per hour. They have very few benefits compared to permanent workers. Buhlungu and Webster (2005:262) indicate that outsourced workers in the footwear industry in Pietermaritzburg work long hours for low wages.

The growth of insecure and low-wage noncore jobs has created a widespread increase in poverty and disadvantages poor people even further. The reduction of wages due to nonregulation will slowly remove the assets such as cars, savings, houses and insurance policies acquired by workers (over the years) as workers will no longer be able to afford these. Wage levels will drop to the levels where family units can no longer be supported (Nadlec, 2006:1; Pillay, 2008b:1–3). Kenny (2001:8) points out that household that is supported by casual wage is more likely to lack basic amenities such as electricity and running water. She argues that 19.6% of households with no full-time employees stay in a *mkhukhu* in an informal settlement (Kenny, 2001:8).

Labour market flexibility as a feature of neoliberal economic globalisation has eliminated laws for protecting job security, like substantial severance pay and prior notification of labour force reductions. Labour market flexibility has eroded the employment security of

flexible workers. Douglas (2000:1) argues that labour market flexibility has given employers more freedom to hire whomever they want when they need them and then fire them when the company no longer wants them. Douglas observes “some employers believe that workers are bio-degradable, and they can just use them and then throw them away” (Douglas, 2000:1).

In South Africa, just like in Western Europe, labour laws restrict an employer’s power to fire workers once they are on the firm’s payroll, and usually prior notification to government and trade unions is needed before workers can be fired. However, all of these are powerless to protect flexible workers. Labour market flexibility is emerging as a threat to labour rights. After 1994, the new democratic government (ANC) introduced a new set of labour laws that give employees new rights and protection. It also granted labour rights to previously excluded employees and increased employees’ rights at industry and national level. In particular, it legalised strikes, but under labour market flexibility, some labour rights have been undermined (Buhlungu, 2003:195; Theron, 2005:307).

Barker (2007:134) indicates that flexible workers are not in a secure position with regard to unfair dismissals and the Basic Conditions of Employment Act (BCEA) notices in South Africa. Flexible workers are not included in formal employment, and labour laws do not cover them. The danger here is that labour market flexibility has removed the conditions of employment, with increasing numbers of workers falling under the working poor (Horton, 1999:5; Theron, 2005:308). Pillay (2008b:1–3) argues that labour market flexibility is against the progressive labour policies introduced by government since 1994. The LRA, BCEA, sectoral determination, skills development and bargaining council agreement that give workers (permanent and temporary) benefits and rights, paid sick leave, the Unemployment Insurance Fund (UIF) and free legal recourse through the Commission for Conciliation, Mediation and Arbitration (CCMA) (if there are any unfair dismissals) – all of these rights and benefits have been ruled out by labour market flexibility. Pillay (2008b:1–3) emphasises that labour policies such as the abovementioned will be ineffective as long as labour market flexibility exists.

Labour market flexibility has denied workers access to trade union rights. The emergence of new forms of employment such as casuals and temporary workers is an issue that unions

are struggling with almost on a daily basis. Flexible employment has become the main challenge for labour movements. Large corporate retailers have used their power to flexibilise the workforce, and this has made union intervention in the sector less successful. Casuals and subcontracted workers in most cases do not have access to trade unions like permanent workers do. Unions face the challenge of dealing with this fragmentation as it threatens both membership and commitment. Labour market flexibility removed the conditions for which organised labour has struggled for years. The dramatic increase in the number of atypical workers such as temporary workers, casuals and subcontracted workers has significantly reduced the bargaining power of trade unions. Employees are not enjoying workers' rights, and it is very difficult for unions to organise workers whose place of work and working hours change all the time (Barker, 2007:134; Mkhabela, 2005:8). Theron (2005:312) notes that "there is no simple explanation as to why bargaining council has not grown, but the process of casualisation and externalisation is certainly part of it" (Theron, 2005:312).

2.7 Conclusion

Globalisation refers to the shift towards a more integrated and interdependent world economy and to technological advance. The global economy is the centre of the attention of globalisation. The move towards free trade through the process of globalisation as discussed above opened doors to the world market and increased the technological and economic development of countries; South Africa is an example. Inequality and unemployment have worsened during the globalisation period and worldwide poverty has increased as a result of the neoliberal policies of the Washington Consensus. Globalisation has accelerated the restructuring of work and work modes and the introduction of flexible forms of work such as casualisation, outsourcing, subcontracting and temporary employment. This has undermined the power of trade unions to organise and build membership (Buhlungu, 2003:193). Flexible employment has emerged as a threat to labour rights.

The introduction of labour market flexibility has the potential to destroy full-time jobs and to bring about more and more insecure jobs and therefore poverty in South Africa. Flexible labour has decreased the wages of workers who are not in a good position to improve them.

Labour market flexibility refers to the extent to which different elements of the labour market can adjust to changing circumstances (Barker, 2007:127). Firms primarily embark on the use of labour market flexibility to increase profitability and growth at the expense of workers. Companies are increasingly using flexible forms of employment even if they are performing very well. Labour market flexibility has created a crisis for workers by reducing their wages, removing their benefits and removing their legal protection and access to trade unions (Barker, 2007:134; Kenny, 2001:1–10).

Chapter 3: GEAR, the second economy and ASGISA

3.1 Introduction

In February 1990, the ruling government (National Party) decided to release Nelson Mandela; after his release, he publicly announced that the ANC would not change its intention of nationalising monopoly industries such as banks and the mining industry, as pointed out by the 1956 Freedom Charter (Southall, 2007:206). He said that by putting monopoly industries under the control of government, the inequalities of apartheid would be addressed. Mandela's support of nationalisation caused a massive crisis of business confidence; he soon found himself pressurised to change his backing of nationalisation of monopoly industries and by early 1992, he had started embracing private investment in South Africa (Southall, 2007:206). In June 1996, a new macroeconomic policy was made publicly known by the ANC government: GEAR.

Valodia (2001:878-879) points out that the core subprogrammes of the macroeconomic policy are a reduction in tariffs, privatisation of state assets, relaxation of exchange control, and calls for labour market flexibility, budget reform, fiscal deficit reduction and other related matters. GEAR's intentions were to increase employment, develop and grow the economy, reduce structural inequalities and redistribute wealth through economic growth. However, it failed to achieve some of these objectives, the result of which has been the increase of the so-called second economy. The second economy is characterised by marginalised people, it is not linked to the first and global economy, its contribution to the South African GDP is very small and it is not capable to generate growth by itself. Due to a sharp increase in marginalised people in the second economy, the government has decided to come up with a new policy: ASGISA. The main aim of ASGISA is to reduce poverty, inequality and unemployment by the year 2014. ASGISA's objectives are to increase the annual growth rate to 4.5% between 2005 and 2009 and to increase the average growth rate by 6% of GDP between 2010 and 2014. ASGISA wants to distribute the fruits of economic growth to the majority of the population in order to reduce poverty and structural inequalities. This chapter is divided into three parts: Firstly, it discusses the ANC's new macroeconomic policy called GEAR, secondly, it examines the fast-growing second economy

in South Africa and, lastly, it discusses the introduction of ASGISA as a means to grow the economy and distribute the fruits of economic growth to the people in order to reduce poverty, unemployment and inequality.

3.2 GEAR

In June 1996, government announced publicly its economic policy under the name of GEAR. Binns, Lester and Nel (2000:254–255) indicate that GEAR was introduced to achieve growth in the private sector, create employment and increase output. This new macroeconomic policy was supposed to increase annual economic growth by an average of 4.2%, create 1.35 million jobs by 2000, increase export by an average of 8.4% per year and markedly improve social structures. The policy did not achieve all of these objectives (Taylor, 2001:80). The ANC's macroeconomic policy was in line with the neoliberal economic export plan that emphasised a free market, fiscal discipline and building business confidence, even if that meant downsizing in order to be competitive in the global economy (Taylor, 2001:80).

At the heart of the ANC's macroeconomic policy was the restructuring of the economy, which, as economists such as Nicoli Nattrass indicate, could include anything from extensive government intervention to conventional market-driven structural adjustment. The policy viewed the country's economic performance in the light of the high economic growth rate that would result from a sharp increase in private capital accumulation in an unbridled capitalist system (Terreblanche, 2003:116). The central theme of GEAR was "growth through redistribution", a formula according to which redistribution acts as a spur to growth and according to which the fruits of growth are redistributed to the people to meet their human basic needs (Magubane, 2002:96; Marais, 2001:125). GEAR emphasised that the free market is the right platform to tackle poverty and ensure economic growth. Economic reforms are the way to create optimal conditions for the free market to flourish. GEAR emphasised that the state's duty is to make sure that there is stability in politics and society (political and social stability), but within policy and other environments that are conducive to capital. From this point of view, government's duty is to allow the market to control itself, and government has to focus on the necessary adjustment that would create a favourable environment for private investment (Marais, 2001:127).

Kotze (2000:11) and Taylor (2001:82) point out that GEAR was drafted and implemented by the ANC government without consulting its alliance partners, namely the South African Communist party (SACP) and COSATU. Even senior officials within the ANC were not told of GEAR's contents, as former president Nelson Mandela later admitted. The policy was released after a very short private discussion within the ANC National Executive Committee and without consulting the head of the ANC Policy Department (Michie & Padayachee, 1998:626).

The policy was drafted by a group of 15 economists. Hirsch (2005:97) and Kotze (2000:11) point out that GEAR was drafted by a technical group consisting of officials from the South African Reserve Bank, the Development Bank of Southern Africa, the World Bank and three state departments as well as academics (Kotze, 2000:11). The policy's intention was to provide South Africa with an understandable and well-integrated macroeconomic plan (Terreblanche, 2003:114). GEAR held the optimistic view that 1.3 million jobs would be created by 2000. It suggested that job creation was not a problem and would be possible if trade unions were not reluctant to work together to reform the labour market and moderate wages and if almost a third of the additional jobs would be created via infrastructural expansion in the public sector (Terreblanche, 2003:115). The ANC's macroeconomic policy saw redistribution as a by-product of growth, not as a fundamental part of its development strategy (Taylor, 2001:82). Trevor Manuel, finance minister, and Alec Erwin, minister of public enterprises, were given the duty to clearly present and defend GEAR in public (Lodge, 2002:246). Former president Nelson Mandela was present at the COSATU conference meeting a year after GEAR was released (1997) to answer any critical assessments of GEAR by labour movements (Lodge, 2002:246). Just like other COSATU members who argued against GEAR, the Deputy Secretary General of COSATU, Tom Ehrenreich, argued that GEAR was an economic policy that advantaged foreign and local capital more than the working group (Lodge, 2002:26). On the side of the SACP, Blade Mzimande as the leader argued that they were totally against GEAR and other features of state restructuring and that stopping the alliance between the ANC, the SACP and COSATU was not a good idea as it would necessarily mean surrendering hard-won labour gains (rights) to the business sector (Lodge, 2002:163).

Nattrass (1996:29) and Taylor (2001:82) point out that GEAR wanted to give capital an upper hand within South Africa and relied on business sector in typical neoliberal 'trickle-down' fashion to empower those who are not empowered by increasing private investment. According to GEAR, this would be achieved by cutting state spending in an attempt to lower the budget deficit to 3% by 2000, maintaining a low inflation rate, reducing corporate taxes, gradually phasing out the remaining exchange control, promoting wage demand restriction by labour, creating a more flexible labour market to allow job creation as the most sustainable and effective means of reducing inequalities, and embracing privatisation of state assets (Koelble, 2004:60). Kotze (2000:11), Nattrass (1996:26) and Van der Walt (2000:71) indicate that GEAR emphasised the need for privatisation in an attempt to reduce debt and to signal government's clear commitment to market-orientated policies. Marais (2001:126) indicates that GEAR document states that the most effective way to tackle unemployment is to increase productivity (meaning producing more goods for less money paid out in wages) and to lower real wages. Herein lies the notion that lower wages are good for the poor (Marais, 2001:126).

GEAR was based on a set of elements such as outward-orientated, investor-friendly stabilisation and adjustment policies that favoured the concerns and aspirations of the globally orientated corporate elite within South Africa (Luiz, 2002:597; Taylor, 2001:82). It viewed government spending as inadequate for economic growth with the argument that such spending would be inclined to crowd out private investment (Terreblanche, 2003:116). GEAR did not say much about investment in the development of people. Although the need for human resource development was presented, this did not seem to have been within a framework of directing investment where it was needed (Henitz., *et al.*, 1998:8). The policy paid little attention to redistribution and poverty alleviation; its main focus was on inflation, the balance of payments and FDI. Terreblanche (2003:116) points out that former minister of Finance Trevor Manuel claimed that GEAR was not in opposition to the RDP but that it tried to set up clear and correct key economic requirements for achieving the RDP objectives such as building the economy, meeting basic needs and developing human resources by implementing a new growth cycle in the form of GEAR. Mr Manuel argued that GEAR would provide a foundation to support increased RDP delivery (Terreblanche,

2003:116). Large financial and mining firms welcomed the wide-ranging liberalisation that would allow them to globalise through joint ventures with foreign corporations and via offshore listings. Manufacturing sector firms did not oppose GEAR, especially those that were confident enough to compete; their more vulnerable counterparts were less happy (Marais, 2001:128).

In a critique of the ANC's macroeconomic policy, John Saul, cited in Taylor (2001:83), indicates that GEAR assumed that everyone, capitalists and ordinary people, has more or less the same interests and could benefit from GEAR. Taylor (2001:83) points out that by splitting the economic from the political, as neoliberalism wants to do, and as was the case with GEAR, GEAR benefited the interests of the emergent black elite as they become increasingly absorbed into the nascent historic bloc. Taylor (2001:83) observes that "the policy (GEAR) might be explained as reflecting and reinforcing the dominance of the black bourgeoisie which has less and less disputes with the old social order and a greater appetite to join it" (Taylor, 2001:83). Marais (2001:123–124) points out that GEAR created some kind of class division. She suggests that GEAR was meant to benefit the prerogatives of domestic and international capital and the aspirations of the emerging black bourgeoisie at the expense of the disadvantaged majority's hopes for a less iniquitous social and economic order (Marais, 2001:123–124).

Economists such as Nicoli Nattrass, cited in Marais (2001:125), have indicated that the GEAR platform was chosen largely because it favoured the political aim of uniting different constituencies within the ANC, indicating a certain degree of expediency and awareness that the policy had a short shelf-life. From this point of view, it is clear that GEAR created a new circle of social exclusion and inclusion in South African society (Marais, 2001:125). Again, Terreblanche (2003:119) observes "GEAR was designed to fit the needs of the large corporations to increase their net worth through liberalisation and globalisation, but without necessarily promoting the interests and net worth of the rest of the South African Community".

GEAR was successful in achieving three of its objectives in the period until 2000. Michie and Padayachee (1998:627) and Qobo (2007:114) point out that on the positive side, the policy was successful in reducing the budget deficit to levels aimed at by the ANC government. For

example, the policy was successful in improving assumptions in monetary policy, decreasing inflation, lowering interest rate levels and creating the basis for future social spending.

Terreblanche (2003:117) indicates that the budget deficit was decreased to less than 3% of GDP and import tariffs were decreased to less than 7.6% of the value of imports. He indicates that the inflation rate declined to an annual average of less than 6% and that manufactured export grew by 18.2% a year in real terms. This increased above GEAR's projection of 10.8% and resulted from the continued decline in the real exchange rate. Michie and Padayachee (1998:630) argue that with regard to social infrastructure, GEAR tried to achieve success in terms of providing electricity. More than 300 000 households were supplied with electricity. Another success was achieved in water provision in urban and rural areas. However, many areas still have a problem with electricity and water (Michie & Padayachee, 1998:630–632).

On the negative side, by the end of 1999 and the beginning of 2000, the ANC's macroeconomic policy has not succeeded in achieving its promised job creation, economic growth and redistribution of wealth (Qobo, 2007:114). The economy grew by only 2.7% a year instead of 4, and 2 percent as promised by government. Real government investment grew by 1.8% instead of 7, and 1 percent as assessed by GEAR documents. Real private investment grew by 1.2% instead of the estimated 11.7%; this is called a "massive discrepancy" (Terreblanche, 2003:117). Naidoo (2006:114) argues that the main goal of GEAR, which was creating more jobs, was not achieved. Employment dropped instead of increasing by 3% (Terreblanche, 2003:117). But since 2004 economic growth has increased by 4%, reaching about 5% in 2005. From this point of view, GEAR, a positive domestic sentiment and a favourable international environment have created the opportunity to consolidate South Africa's economic growth (Mlambo-Nguka, 2006:1).

Koelble (2004:59) argues that GEAR did not meet its objective of reducing unemployment. Hirsch (2005:105) points out that the aim of job creation through economic growth was not achieved. He indicates that GEAR aimed at increasing jobs by 2.9%, but jobs increased by only 2.5% between 1995 and 2003. Unemployment has worsened since the ANC implemented GEAR. Magubane (2002:98) indicates that half a million jobs have been shed since the ANC came into power. Instead of creating more jobs since GEAR's implementation

in 1996, jobs decreased in the formal sector of the economy. For example, employment has decreased in the footwear industry in KwaZulu-Natal (employment dropped by 62%) (Webster, 2005a: 62).

The elimination of jobs from the formal sector of the economy has pushed more people into the informal sector (the second economy, which will be discussed later), especially women (Henitz *et al.*, 1998:12). Bond (2005:193) indicates that during the ANC's first term, the total job loss was more than half a million. He indicates that job losses via retrenchment were 71 000, 126 000 and 186 000, instead of GEAR's anticipated employment gains of 126 000 and 186 000, 252 000 and 246 000 (Bond, 2005:193). With regard to the mining and agricultural sectors, as well as privatisation of the public sector, job losses have increased (Koelble, 2004:61). The increase in job reduction is associated with GEAR through its privatisation process. Michie and Padayachee (1998:632) point out that according to GEAR 126 000 additional jobs were supposed to be created, but the number of formal jobs dropped by 100 000. The annual average level of employment in the private industry has decreased by 2.7% in 1996 (Michie & Padyachee, 1998:632).

GEAR called for labour market flexibility and reduction of wages as the best strategy to reduce structural unemployment, increase investment and cut labour costs for companies (Voladia, 2001:879). It also viewed labour market flexibility as a crucial element of its job creation plan. However, this labour market flexibility ignored the reality that job creation does not necessarily decrease poverty if employment is created mostly in low-wages jobs. The form of employment, such as casual work, temporary work, subcontracting and outsourcing, maintained by GEAR policy was of low quality and very precarious for those in the noncore sector of the economy. As a result of labour market flexibility, poor people face the problem of both unemployment and the low quality of the jobs that they occupy. Flexible forms of employment, such as casualisation, temporary work, subcontracting and outsourcing, have reduced workers' wages and benefits (Steyn, 2008:5). New legislation such as the BCEA and the Employment Equity Act has been ineffective in GEAR's call for labour market flexibility. The introduction of new labour laws by the Department of Labour was to increase labour market rigidity, but the introduction of GEAR has undermined the effectiveness of legislation to cover flexible employees (Luiz, 2002:611).

The call for labour market flexibility by GEAR has opened doors for many companies to restructure their workplaces. For instance, many companies in South Africa have decided to change the nature of employment to make use of flexible jobs (Mkhabela, 2005:8). Mkhabela points out that those companies that make use of flexible employment are in the construction, mining, retailing and manufacturing sectors. For instance, in the construction industry, the majority of employees are subcontracted workers; they do not fall under the Bargaining Council Agreement and they are seen as part of the informal economy (Mkhabela, 2005:8). Secondly, in the mining sector, subcontracting is happening via labour agencies, and trade unions find it difficult to enforce protection standards (Mkhabela, 2005:8). Thirdly, in the manufacturing industry, the majority of employees are on short-term contracts, and at some point employees have to sign a contract at the end of every month in order to continue working (Mkhabela, 2005:8). Some workers have worked for companies for three to four years as flexible employment but companies do not employ them permanently (Mkhabela, 2005:8). Lastly, in the retail sector, additional part-time jobs have been created, and the majority of employees are 'nonstandard' (meaning casual, temporary and part-time employment), unregulated women (Clarke, 2006:157). This has weakened the bargaining power of trade unions (Mkhabela, 2005:8).

Ferreira (2008:1) points out that COSATU opposes labour agencies that recruit workers for part-time and temporary employment. He says that COSATU has announced that labour agencies must be eliminated. According to COSATU, labour agencies that move around recruiting people for temporary employment are threatening sectors that provide skills training and employment for more than 500 000 people (Ferreira, 2008:1). COSATU argues that labour agencies are impeding the objective of trade unions of creating decent jobs. Labour agencies make it difficult for trade unions to recruit workers into the unions, and unions are no longer capable of enforcing minimum standards for workers (Ferreira, 2008:1). Labour brokers are seen as a new type of casualisation (Ferreira, 2008:1). COSATU called for the use of labour agencies by companies to come to an end so that labour legislation that guarantees and protects workers' rights, health and safety at work can be enforced and maintained effectively (Ferreira, 2008:1). According to COSATU, labour legislation must be

extended further to cover workers who are employed through labour agencies (Ferreira, 2008:1).

Theron (2009:43) argues that the number of people recruited by labour agencies to work for clients (different companies) has grown enormously in recent years; the growth of labour broking is slowly changing how workers are recruited and employed. The number of people employed by means of labour brokers, excluding business sectors such as cleaning and security, is approximately 400 000 to 800 000 but the exact number is unknown (Theron, 2009:43). Including security and cleaning services, the South African economy has created additional jobs, but the majority of these jobs are part of the labour broking system (Theron, 2009:43).

Theron (2009:43) argues that labour movements must reach out to recruit workers employed by labour brokers and collective bargaining agreements must be extended to them. Once they have collective agreements, they are more likely to earn minimum wages, just like any other workers. Theron points out those labour agencies can be controlled in easy ways: Labour brokers need to be registered and there must be a restriction on the period for which employees can be regarded as temporarily employed. Regulation from below is the most secure and accurate way to control labour brokers (Theron, 2009:43).

The chief operating officer of the Confederation of Associations in the Private Employment Sector (CAPES), Johan Botha, argues that labour agencies are contributing to job creation (Ferreira, 2008:1). He mentions that labour agencies have helped more than 500 000 people to find employment. The majority of them are on different skills development programmes and learnerships (Ferreira, 2008:1). Botha argues that the majority of these workers would not have been employed if organisations did not have the chance to outsource employment (Ferreira, 2008:1). Botha believes that it is good to have labour agencies to act as intermediary between the supply and demand of labour (Ferreira, 2008:1). It has been indicated that there are more than 6 000 labour agency centres in the country, assisting in recruiting people and registering them for work (Ferreira, 2008:1). CAPES's chief operating officer, Johan Botha, mentions that trade unions should not try to ban labour agencies but should work with them to control the industry because they both have the same aim of improving skills and creating jobs (Ferreira, 2008:1).

Theron (2009:43) points out that before someone can think of prohibiting labour agencies, it is of great importance to know what it is someone plans to get rid of and how labour brokering came about. Labour brokering is not only a global trend but ineffective labour laws in South Africa also made it easy for the system to emerge quickly (Theron, 2009:43). The LRA regarded labour brokers as the employers of workers, even though labour agencies are not employers, according to the definition of employer (Theron, 2009:43). "An employer is a person or organisation who has engaged one or more persons to work for him or herself" (Barker & Holtzhausen, 1996:49). When the system of labour brokering was growing quickly, the problems with the LRA became quite visible (Theron, 2009:43). However, minor improvements to the LRA were not made to solve the problems that occurred (Theron, 2009:43). Allied to that, plans (besides banning the system of labour brokers by COSATU) to control labour brokers have not been implemented so far, and labour brokering is growing enormously (Theron, 2009:43).

With regard to privatisation, labour movements such as COSATU are against privatisation. COSATU and non-government organisations (NGOs) believe that privatisation of state-owned assets leads to job losses through retrenchments and that the wages of workers as well as their conditions of employment will be affected (ILRIG, 1999:36). Therefore, according to trade unions and NGOs privatisation is not going to benefit workers. Another view by trade unions and NGOs is that privatisation, which is part of globalisation, will allow foreign companies to buy state-owned assets and that this will not solve the issue of inequality created by the apartheid regime and that the economic power will remain in the hands of those who already have economic power (ILRIG, 1999:37). From the South African Catholic Bishops Conference's point of view, privatisation of state-owned assets will result in elimination of full-time jobs. The conference argues that privatisation is acceptable only if workers do not lose their full-time quality jobs (ILRIG, 1999:36). The conference also argues that workers' jobs must not be eroded for the sake of maximising profit. COSATU argues that GEAR tried to convince foreign investors to invest in South Africa but that it failed to address the problem of poverty in the country (Koelble, 1998:165).

3.3 Second economy

Webster (2005a: 392) points out that there are reasons for the growth of the second economy in South Africa. The first is the changing nature of work in the modern economy. He suggests that at the centre of the changes there are two plans: effective downsizing and subcontracting all but core businesses or activities. He argues that by cutting down much of the core workforce and subcontracting activities to different kinds of insecure labour, management not only decreases labour expenses but also shifts the responsibility for benefits onto the individual worker. The outer circle of this system, writes Gallin, quoted in Webster (2005a: 392), "is the informal sector: the virtually invisible world of micro-enterprises and home-based workers". Workers who are involved in the second economy do not have rights and social protection. Another reason for the growth of the second economy is the non-existence of previous companies because of global competition and work restructuring, which pushed a large surplus of labour to the periphery of the labour market. These people are either operating in the second economy or they are not employed (Steyn, 2008:1).

The second or informal or marginalised economy appears to have grown in South Africa under the effect of liberalisation. According to the October Household Survey (OHS) and the more current LFS, quoted in Webster (2005:392), the second economy has increased from 965 669 people in 1997 to 1 873 000 in 2001 (Webster, 2005:392). The second economy is characterised by lack of development, it is not conducive to the growth of the GDP, a large number of the South African population are involved in it, it contains the poorest of the South African rural and urban poor, it is not connected with the first and the global economy and it is not capable of generating growth and development by itself (Mbeki, 2003:1; Rogerson, 2007:1; Webster, 2005:66).

The second economy therefore lacks the ability to generate the internal savings that would allow it to achieve the high rates of investment it wants. Activities involved in the second economy are explained as the way people make a living. The second economy is characterised by easy entry and depends mainly on indigenous resources, family ownership of business, small scale of operation, labour-intensive and adapted technology, skills learned

outside of the formal school system and a competitive and unregulated market. Unregulated here means that not all activities of the second economy are controlled by the institutions of the state, for example registration, tax, social security obligations and health and safety rules (Devey, Skinner & Valodia, 2005–2006:226–227).

Webster (2005a: 389) points out that the second economy is classified into three categories: Firstly, *self-employed* refers to independent workers. Self-employed people are people who do not recruit any paid employees on a daily basis, for example street vendors or hawkers. Secondly, *dependent producer* refers to producers who depend on others for a supply of work, raw materials or the sale of finished goods, for example domestic workers. Thirdly, *wage worker* “refers to dependent wage workers who work as casual workers either irregularly for one employer or on a regular basis for one registered employer without formal written contract, fixed wages or workers’ benefits” (Webster, 2005a:389). Other examples of employment in the second economy includes gardeners, home producers, craft workers, casual or day workers, part-time workers, industrial outworkers such as home-based workers, undeclared workers and subsistence agricultural labourers who work in the informal economy (Henitz *et al.*, 1998:11). The second economy includes different forms of business, such as trading, collecting, providing a service and manufacturing, different forms of employment, such as self-employed, paid and unpaid workers and low-wage workers, and businesses with different economic potentials, such as successful small businesses and survivalist activities (Devey *et al.*, 2005–2006:228).

The monthly income of workers in the informal or second economy is very low. For example, according to the LFS, 51% of those working in the informal or second economy earn R500 or less per month and many workers do not even earn a wage. It has been reported that 92% of workers earn less than R2 501 per month. This suggests a close relationship between being poor and working in the second economy (Devey *et al.*, 2005–2006:232; Rogerson, 2007:2). Other reports have indicated that more than 60% of workers employed in the second economy earn R1 000 or less per month. Former president of South Africa, Thabo Mbeki (2003:4) points out that the second economy does not empower people but leaves them in a sea of poverty, lack of development, marginalisation and loss of human dignity. Moss (2002:30) indicates that the majority of the population are forced into the second

economy by unemployment and retrenchments and that it does not help in reducing the poverty and inequality that exist in South African society.

In South Africa, the majority of those working in the second economy are black. A large number of black South Africans in provinces such as Gauteng, KwaZulu-Natal and Limpopo are involved in the informal economy. According to the Development Policy Research Unit (DPRU) of the University of Cape Town (2008:7) the Eastern Cape Province contains most of the second economy population. A strong racial dimension has been indicated with blacks representing nearly 90% of workers in the second economy (Rogerson, 2007:3). With respect to gender inequality, the majority of those working in the second economy are women. The DPRU (2008:7) indicates that the total number of people in the second economy is about 9.5 million, of which more than 50% are female. In 1997, it was estimated that there were 19 000 street traders in the Durban metropolitan area. These informal traders are mainly women who occupy a stretch of sidewalk in the busy area called Warwick Avenue (Webster, 2005:393). In the Free State 90% of women are self-employed, in the Northern Cape 88% of women are self-employed and in KwaZulu-Natal 67% of women are self-employed. From this point of view, women are clearly marginalised and made invisible within the macroeconomic policy strategy (Heintz *et al.*, 1998:11).

3.4 ASGISA

Phumzile Mlambo Ngcuka, former deputy president of South Africa, announced the new growth plan for South Africa by the name of ASGISA in 2006 (ILRIG, 2006:1). It is very similar to GEAR, but it is an industrial policy that puts more emphasis on infrastructural investment and it focuses on raising the annual growth rate from 4% to 6% per annum by 2009 and reducing unemployment by 2014 (ILRIG, 2006:1; Qobo, 2007:119). This emerging industrial strategy emphasises manufacturing as its cornerstone. This is a sector of the economy that contributes about 18% of the GDP and accounts for 27% of employment. It is also a central sector that creates backward connections with the primary agriculture and mining sectors and forward connections with the service sector (Qobo, 2007:119). The policy wants to make sure that the fruits of economic growth are shared in such a way that poverty comes

as close as possible to being eliminated and that the deep-seated inequalities in South Africa are addressed and reduced (Mlambo-Ngcuka, 2006:1). The introduction of ASGISA by the government to tackle poverty, unemployment and inequality has the following mandates, namely education and skills development, infrastructure programmes, sector investment strategies, elimination of the second economy, addressing macroeconomic issues and governance and institutional intervention (Mlambo-Ngcuka, 2006:1).

3.4.1 Eliminating the second economy

The South African government has set up ASGISA to participate in the second economy with the aim of removing the second economy through promoting small businesses and removing laws that have to do with environmental protection and labour movement rights, which does not make it easy for small businesses to grow (ILRIG, 2006:1). ASGISA's involvement in the economy serves to tackle inequalities in South Africa. It targets the marginalised poor in order to close the gap between the first and second economy. One of the key mechanisms is to make use of the leverages of the first economy to tackle the second economy. There are two examples related to this: The first one is to leverage the increased levels of public expenditure, mainly investment expenditure, to improve the standards of small businesses and broad-based black economic empowerment (BBBEE), addressing such issues as having access to finance or money, preferential procurement and a review of the effect of regulations on labour intensive industries (Mlambo-Ngcuka, 2006:8). For public enterprises, the state-owned enterprise procurement forum is codifying and expanding best practices for affirmative procurement. On the government side, the Department of Trade and Industry is developing a procedure through which 10 products will be available for procurement through smaller black-owned businesses (ASGISA, 2008:11). Mlambo-Ngcuka (2006:8) points out that connecting small businesses to opportunities arising from the 2010 FIFA soccer world cup is another duty for government.

The government believes that in order to achieve ASGISA's objectives of reducing unemployment and poverty by 2014, it has to pay particular attention to the concerns of women and the youth. With regard to women, the focus will be on providing human resources training, making sure that women have access to finance or money, removing

women out of the second economy very fast, improving women's access to basic services, ensuring and increasing women's involvement and participation in expanded public works programmes and increasing women's participation in agriculture and creative industries (ASGISA, 2008:12). With regard to the youth, one of the plans of government is to recruit unemployed graduates for employment or internships and learnerships. In an important sense, internship programmes need to be available for graduates. This has been done by supporting the Umsovombu Youth Fund initiative to register unemployed graduates on its database (ASGISA, 2008:12). Some measures to improve youth development during the 2006/2007 period were intensifying the Youth Cooperative Programme, registering at least 10 000 young members of the population with the National Youth Service and registering 5 000 volunteers to work as mentors to vulnerable children across the country (ASGISA, 2008:12).

The second kind of leverage will be that of all of the industry strategy such as tourism and business process outsourcing (BPO). The tourism sector and BPO contain elements that can help in addressing development objectives in the second economy. For example, government plans to make sure that at least five BPO industries or operations are set up in poor areas with small-scale economic activities. According to ASGISA, the strategies will benefit the youth and women (ASGISA, 2008:12). Another intervention in the second economy is centred on the idea of making sure that people realise the importance and value of dead assets such as land, houses, and skills, indigenous knowledge and other assets that have an important value not currently realised (ASGISA, 2008:14). Procedures to realise the value of dead assets are establishing livestock improvement programmes, a quick move towards the formalisation of land tenure, an effort to ensure that the financial service charter commitment on housing finance is adequately and strongly implemented and support for the development of co-operatives (ASGISA, 2008:14).

3.4.2 Education and skills development

Mlambo-Ngcuka (2007:1) points out that part of the reason why South Africa has a high rate of unemployment among the youth and women is skill shortage. According to ASGISA for both public and private investment programmes the biggest problem is a lack of skills,

including professional skills, such as scientists and engineers, managerial skills, such as financial managers, personal and projected managers, and skilled technical workers, such as artisans and information technology specialists. Mlambo-Ngcuka (2006:7) points out that there is no simple explanation as to why South Africa is experiencing a shortage of skills, but the past policies of the apartheid regime are part of it as well as the slow progress of South African education and skill development institutions in catching up with the current increase in economic growth (Mlambo-Ngcuka, 2006:7). It has been indicated by ASGISA (2008:9) that measures to tackle the skills challenges in the educational sector are as follows: improved career guidance programmes, a big upgrading of the further education and training schools, especially training colleges, the introduction of Adult Basic Education and Training (ABET,) which is in line with the education system introduced in countries such as Cuba and New Zealand, and improved maths and science programmes for 529 high schools to double maths and science high school graduates to 50 000 by the year 2008 (Mlambo-Ngcuka, 2006:7).

Other important initiatives in skills development by the government include the development of an employment service system (to close the gap between potential employers and employees) and phase 2 of the National Skills Development Strategy. Other key skills development projects include the recruitment of experienced professionals and managers to local governments to contribute to improving project development implementation and maintenance capabilities (ASGISA, 2008:10). For instance, the project controlled by the Development Bank of Southern Africa has recruited almost 150 expert staff members, with the first 30 being recruited in April 2006. The project will help in transferring skills to new graduates. The Umsobomvu Youth Trust is running a number of initiatives, many of which include youth volunteers to support a range of skills development programmes (ASGISA, 2008:10). A new institution called the Joint Initiative for Priority Skills Acquisition (JIPSA) has been established. Its duty is simply to identify urgent skills needs and find fast and effective solutions (ASGISA, 2008:10).

3.4.3 Sector investment strategies

The government announced that in order to promote private sector investment, sector investment strategies are being prepared, and some are in the implementation stage. In this context, two industries have been selected for special priority attention: BPO and tourism. A third sector or industry, biofuels, is being finalised. What these sectors have in common is that they are labour-intensive, fast-growing sectors worldwide, they are suited perfectly to the South African context and they create opportunities for BBBEE and small business development. BPO refers to the trend of business worldwide, especially in countries where labour is expensive, to locate back office activities such as accounts or claims processing or front office activities such as call centres in less expensive centres. South Africa has attracted about 5 000 such jobs from around the world so far. The industry has the capacity to add 100 000 direct and indirect jobs by 2009 (ASGISA, 2008:8). The other fast-growing priority industry is tourism. This industry has already been growing fast in South Africa but is ready for a second phase of growth that could increase its contribution to GDP to the higher percentage, and increase safety and skills development (Mlambo-Ngcuka, 2006:6).

3.4.4 Infrastructure investment

Government has already started to initiate public sector investment. At one point public sector investment dropped below 4% of GDP. In recent years, it increased to above 6%. As indicated in the medium-term budget policy statement in October 2005, government and public enterprise investment expenditure for the period April 2005 to March 2008 was planned to be about R370 billion. Of this, about 40% would be spent by public enterprises, mostly Eskom (R84 billion) and Transnet (R47 billion, of which R40 million is core), and on power generation, power distribution, rail transport, transport, harbours and an oil pipeline. The general purpose is to improve the availability and reliability of infrastructure service in response to the rapidly growing demand (ASGISA, 2008:6).

Key areas of government expenditure, uniting all spheres, are provincial and local roads, bulk water infrastructure and water supply networks, energy distribution, housing, schools

and clinics, business centres, sports facilities and multipurpose government service centres such as libraries, police stations, courts and correctional facilities. Another key challenge in the infrastructure sector is improving infrastructure for the 2010 FIFA soccer world cup. This includes building or improving the 10 stadiums to be used for the soccer event and improving transport, for example investing in transport. Other strategic interference in the infrastructure sector includes further improvement in the modalities for public-private partnership (PPP) in the development and maintenance of public infrastructure (ASGISA, 2008:7).

3.4.5 Macroeconomic issues

Regarding macroeconomic matters, government, by introducing ASGISA, has decided to come up with a vital plan to lower volatility and overvaluation of the currency. Another plan of government regarding macroeconomic issues is to make sure that fiscal and monetary policies are co-ordinated to generate sustained and shared growth (ASGISA, 2008:14). Government is trying to make sure that government budgeting improves, especially on a macro level where people start to underestimate revenue and overestimate expenditure. The result of this is that the budget seems to be higher than it should (ASGISA, 2008:14).

Expenditure management is one of the important areas where macroeconomic policies need to play a role. In order for expenditure management to improve, macroeconomic policies must be available, especially in government money investment. The reason why macroeconomic policies are needed is that a couple of budgets are not spent correctly and some agencies run out of money before the financial year comes to an end (ASGISA, 2008:14). With regard to the management of expenditure, a single innovative system was designed and introduced in 2006 by the National Treasury. The system was called the “capital expenditure management information system and its objectives are to assist in improving managing expenditures” (ASGISA, 2008:14).

3.4.6 Governance and institutional intervention

Government has made a plan on the principle that institutional involvements are expensive and should be reduced to the minimum level, and if it is possible institutions that have been available and operating should be changed into new operations with responsibilities. With regard to governance and institutional interference, government has decided to pay particular attention to the Black Economic Empowerment Charter and leveraging benefits from offsets. From this point of view, government will make sure that black people are empowered via BEE charters (ASGISA, 2008:15). A crucial area that needs particular institutional changes is the framework for the planning and management of land use (ASGISA, 2008:16). Government thought that many investment projects are not regulated very well and that the manner in which those projects are managed is not effective. This includes weak local and provincial planning as well as the zoning system or the environmental impact assessment (EIA) system (ASGISA, 2008:16). EIA has been improved to avoid delays, without sacrificing environmental standards (ASGISA, 2008:16). The main duty of government is to improve the standard of local and provincial government, especially the planning and zoning system (ASGISA, 2008:16).

3.5 Conclusion

South Africa has experienced high levels of unemployment, inequality and extreme poverty because of the move to the global economic environment since the ANC's accession to power and the emergence of globalisation. When the ANC was elected the ruling party in 1994, it gradually shifted to the right and came up with a nonnegotiable macroeconomic policy called GEAR. The policy was in line with neoliberal pillars such as privatisation of state assets and labour market flexibility. The policy was based on the idea that creating an investor-friendly environment would give the South African economy a grow path that would lead to job creation, reduced inequality and wealth distribution.

The aim of GEAR was to grow the economy, reduce poverty and create more jobs. It failed to achieve some of its objectives but achieved three of its aims, such as decreasing the budget deficit, inflation rate and import tariffs. Many jobs have been lost, though. Companies started to restructure their workplace and use labour market flexibility. Due to

the high level of retrenchments and work restructuring, the majority of workers became unemployed and marginalised. They involved themselves in the second economy, the economy characterised by marginalisation, poverty and underdevelopment (Mbeki, 2003:1). The majority of the population who are involved in the second economy are black and the dominant gender group is women. Government initiated a new policy framework to help in reducing poverty and inequality. The ASGISA policy was designed to address these problems. Its mandates are education and skills development, elimination of the second economy, sector investment strategies, infrastructure programmes, addressing macroeconomic issues and governance and institutional intervention.

Chapter 4: Flexible work practices: a shift into unprotected employment – a case study of Pick n Pay

4.1 Introduction

Retailers such as Pick n Pay are seen as the most labour-intensive sector in South Africa, and their contribution to GDP is good. For instance, in 1999, they contributed an average of 12.4% to GDP (Moss, 2002:150). The retail sector is changing faster than any other industry in the country. Pick n Pay has three main subdivisions of business: a clothing division, a household goods division and a food division (the core business of Pick n Pay). Trade liberalisation, deregulation and pressure applied by competitive local and international markets have forced the company to restructure its workforce. The restructuring process started by introducing and making use of flexible forms of employment such as casualisation, part-time or temporary work and externalisation. The majority of people who have been drawn into flexible employment are black people, especially women. This chapter discusses the use of atypical employment by Pick n Pay. It also discusses the implications of atypical employment for flexible workers. For instance, the dramatic increase of atypical employment has eroded the labour rights of workers, denied them access to trade unions, reduced their wages, and withdrew their benefits.

Kenny (2003:171) argues that major South African retail companies such as Pick n Pay and Shoprite have taken the same road in terms of restructuring their workforce. The main reason that pushed retail companies to restructure their workforce has been to compete for market share in the sector (Kenny, 2003:171). Retail companies such as Pick n Pay, Spar and Shoprite have been driven by market share to shift their focus from full-time employment to atypical employment (Kenny, 2003:171). The process of restructuring has taken the form of introducing forms of atypical employment such as casuals, subcontracted workers, part-time workers and temporary workers. The objective of achieving a high percentage of the market share in the sector has meant that retail companies have used their own power to restructure their workforce with little trade union interference and with no central bargaining (Kenny, 2001:3).

4.2 Pick n Pay's growth potential

Pick n Pay is one of the South African retailers that is going from strength to strength in terms of expanding its outlets. Clarke (2001:19) and Moss (2002:16) points out that Pick n Pay has retail outlets throughout the country and it has expanded to other African countries such as Botswana, Zimbabwe and Tanzania. The methods used by Pick n Pay to invest in other countries are direct investment, joint ventures with foreign companies, acquisitions and mergers (Moss, 2002:16). The investment by Pick n Pay outside South Africa helps the South African economy to grow. With regard to Pick n Pay's growth and performance, the company is doing well in terms of growth, investment and profit maximisation. Regardless of the slowdown in the economy, Pick n Pay has not experienced any problems that might affect its performance since the early 2000s.

On the performance side, the Pick n Pay has been in the front seat (SACCAWUa, 2008). For instance, between 2006 and 2008, the retail sector has shown the following growth figures: its turnover has increased by 12.1% in 2007 and 15.4% in 2008. This turnover has indicated that Pick n Pay is doing well in terms of profit maximisation; for example, the company has achieved R39 337 million and R45 387 million turnovers. The retail sector generated 20.6% and 18.3% of operating profit in 2007 and 2008. This indicates R1 287 million and R1 503.5 million operating profit, respectively. The reason for this is that Pick n Pay's food outlets are trading in goods that will always remain high in demand (SACCAWU, 2008a). Moss (2002:4) points out that Pick n Pay has 11 market leaders that account for 22% of the total industry output and 32% of total employment within the industry itself. The sector is doing well in terms of contribution to the country's GDP. For example, it contributes an average of 12, 5% (Moss, 2002:15).

Kenny (2005:227) points out that retailers such as Shoprite, Checkers and Pick n Pay share approximately 95% of the market in formal food retailing and the dominant retailers are Pick n Pay and Shoprite. She indicates that the gross turnover of the formal food sector was estimated at over 6 billion Euros in 2002; 55–60% of this turnover was generated by the major supermarkets and hypermarkets (Kenny, 2005:227). South African retailers have expanded into new stores. Co-ordinating with property developers, food retailers dominate

South Africa's new shopping malls. They have established their own entertainment world in the hyperstores (Kenny, 2005:225). These retailers have shifted the apartheid workplace order to "market hegemony" (Webster, 2005b:60). Kenny, quoted in Webster (2005b:60), suggests that market hegemony implies a new workplace order whereby the forces of market growth, competition and cost reduction have restructured workplace relations and have changed the way in which workers and managers view the workforce. This has led to an increase in flexible employment. Pick n Pay is one of the retailers that moved with the flow of market hegemony, and this has increased its shareholder value as well as financial capital (Webster, 2005b:60).

4.3 Pick n Pay and flexible employment

Retail companies' motivation for using flexible labour is as follows: Flexible labour is used to work extended hours, these workers are more productive than permanent workers, flexible labour is used to protect retail companies against existing trade unions and retailers' trading patterns are not constant (Volodia, 1991:48–50). Bezuidenhout, Godfrey and Theron (2005:42) and Forrest (2006:146) point out that the introduction of casual workers first began when retailers extended their working hours. Workers' representatives (trade unions) were against the extension of hours of work, and they argued that workers must work their normal hours, that is from 8:00 to 16:00 (Forrest, 2006:146). SACCAWU believes that it is important and appropriate for its members to be given enough rest and time to spend with their families (Forrest, 2006:146). Management at retailers such as Pick n Pay responded by employing casual workers to work during the extended hours (from 17:00 to 19:00) and on weekends. Some managers at retailers argue that it is not easy to find permanent workers who will accept working long hours, and this has pressurised managers to employ flexible labour (Dhlamini, et al., 2005:4). Flexible labour is a useful alternative to permanent staff that does not want to work long hours (Volodia, 1991:48–50). From the early 1990s onwards, companies such as Woolworths and Pick n Pay started to employ more people as casual workers, and the number of these has increased until they are now more than the permanent workers (Forrest, 2006:146). The growth of casual employment at retail industries has given management the option to use casual workers at any time of the day (Forrest, 2006:146–147).

Volodia (1991:48–50) points out that management at retailers prefer to use flexible labour because they are more productive than permanent workers. Volodia (1991; 48-50) pointed out that some managers at retailers argues that casual workers who are without a permanent employment contract and who are hired when their labour is needed are more productive in order to continue working and because they hope to be employed permanently (Volodia, 1991:48–50). Volodia (1991:48-50) pointed out that Some managers admit that the use of flexible labour is an effective way of protecting their companies against strikes and stayaways by permanent workers. Some managers indicate that when permanent staff members embark on mass action such as wage strikes, retail companies are still able to function with so-called flexible labour (Volodia, 1991:48–50). Volodia argues that it has been accepted by some managers at retailers that the use of a flexible labour force is a strategy employed to prevent trade union intervention in their companies (Volodia, 1991:48–50).

The Pick n Pay human resource manager together with store managers in Cape Town (Western Province) say that the level of competition in South African retail companies has pressurised Pick n Pay to employ more casual staff at this point (Clarke, 2007:14). They argue that Pick n Pay prefers casual workers because they do not have a pension fund, medical aid and other benefits that are costly to the company (Clarke, 2007:14). Put differently, retailers use casuals and temporary workers with the intention to cut down on labour costs (Godfrey, Ndungu, Rakgosi, Theron & Visser, 2008:6). Pick n Pay's human resource manager and the store managers in Cape Town argue that the company is saving by not committing itself to permanent workers (Clarke, 2007:14).

Forrest (2005:65) argues that the number of casual workers at Pick n Pay was not big in the early 1990s but that the number has increased from the late 1990s to the 2000s. Clarke (2007:23) argues that Pick n Pay has reduced the number of permanent jobs by increasing casual and part-time jobs. He points out that the company has created different groups of workers, namely permanent employees (those who work 40 hours per week); part-time employees (this group has been divided into two groups of workers: permanent part-time workers and new part-time workers); contract employees; and nonregulated casual employees (Clarke, 2007:23). As far as the working hours of permanent part-time workers

are concerned, they work 110 to 196 hours per month as compared to new part-time workers (Clarke, 2001:24). Clarke (2001:24) points out that contract workers usually work as helping workers who work on a fixed-term contract on behalf of permanent workers who are on maternity leave. Clarke (2001:24) indicates that at Pick n Pay casual workers work 24 hours a week and they work on weekends. According to the research done on employment practice in the Western Cape, the majority of workers (close to 5 107) at Pick n Pay are not permanent (Clarke, 2001:24). The number of casual workers is approximately 2 865, contract workers are 139 and new part-time workers are 26. (Clarke, 2001:24). Based on the above-mentioned statistics, it is evident that the majority of workers at Pick n Pay are casual workers.

Mbeki (2005:6) points out that retailers are increasingly making use of casual, temporary and subcontracted workers. By September 2005 and March 2006 flexible employment such as casuals has increased by approximately 30% (Bodibe, 2006:63). For example, Pick n Pay in the Western Cape has a high percentage of casuals and part-timers (60%) (Mbeki, 2005:6; Moss, 2002:25). Woolworths has increased its use of casual workers as well. It has been reported that 70% of its employees are employed as casuals (Kenny, 2001:3). SACCAWU (2008a) observes that “this attitude is becoming clear to the union as we are beginning to see Pick n Pay taking massive franchising, outsourcing, casualisation and flexible labour”. Moss (2002:24) argues that between March 1998 and March 2000 the number of part-time jobs has increased by 64% as compared to a 4.5% increase in full-time employment. Adcorp (2004) indicates that Pick n Pay has a tendency to use temporary staff as tellers and shelve packers.

Moss (2002:25) argues that casual employees are used at the expense of full-time employees (Moss, 2002:25). Based on government statistics quoted in Kenny (1999:6), permanent jobs in retail and wholesale have dropped from 88% of total employment to 81% between 1987 and 1997, while casual and part-time employment have reached their highest levels. Kenny (1999:6) notes “part-time and casual employment has increased from 11.8 percent of total employment to more than 19 percent” (Kenney, 1999:6). Other groups of workers who are used by retailers are shelve packers or merchandisers. Merchandising refers to the process whereby workers at a particular retail outlet put goods onto the

shelves for sale (Godfrey et al., 2007:88). In most cases, the duty of merchandising is performed by outsourced workers. They are recruited by labour agencies and then placed at the disposal of retailers to do the work (Godfrey *et al.*, 2007:88; Kenny, 2004:488). They are not employed directly by retail companies, and they do not have any relationship with the company; they are there to perform certain tasks.

Merchandisers normally start their shelve-packing duty early in the morning before the retail outlet opens, and once they are finished at the particular store, they go to the next store to do the same job for some hours (Godfrey, Theron & Visser, 2007:88) Just like casuals, merchandisers do not have job protection, they earn low wages and they do not have benefits (Kenny, 2004:488; Webster, 2005b:60). These jobs help very little to improve the standard of living of workers, and they contribute little to alleviating poverty (Craven, 2008:6). SACCAWU has found it difficult to organise merchandisers at retail outlets. Regarding the working conditions of merchandisers, the union has been trying hard to discuss it with the large merchandise agents in the retail sector (Godfrey *et al.*, 2007:88). The merchandise agents who are providing retail outlets with workers are Daymons and Smollens. Daymons seems to provide Pick n Pay with merchandisers, while Smollens provides merchandisers to other major retail companies (Godfrey *et al.*, 2007:88).

Kenny (2005:226) argues that the state has introduced labour legislations guaranteed to protect the rights of employees. Ironically, this legislation has failed to protect flexible workers such as casuals and part-timers. Clarke (2006:163) outlines the legislation introduced by government as follows: the Basic Conditions of Employment Act 75 of 1997 (BCEA), the Labour Relations Act 65 of 1995 (LRA), the Skills Development Act 97 of 1998 (SDA) and the Employment Equity Act 55 of 1998 (EEA). The BCEA stresses the need for minimum standards for workers, and it established the body called the Employment Conditions Commission (ECC) to set up the required minimum wages and conditions for workers. The EEA stresses the need to remove any forms of discrimination at workplaces. The LRA stresses the need for sound collective labour relations, and it gives workers organisational and bargaining rights (Clarke, 2006:163). None of these laws cover flexible workers such as casuals, temporary workers and externalised workers, though (Clarke, 2006:169).

The labour laws that recognise workers' rights do not protect workers who are drawn into labour market flexibility. This has resulted in workers' rights being suppressed (Kenny, 2005:226). However, these legislations have reinforced the prerogative of capital to market relations. The workplace has changed, and it is called market hegemony (leadership), whereby the dictates of competitiveness, growth and reducing cost have rearranged workplace relations. The strong market hegemony has restricted workers in many ways (Kenny, 2005:226). With regard to casual employees, many of them are not included in South African labour legislation. These workers do not have protection, and they do not benefit from labour laws at all (Bodibe, 2006:65).

Bodibe (2006:68) points out that due to lack of protection by the labour laws, casual employees work with a sense of fear of losing their jobs and they work under huge pressure from management (Bodibe, 2006:68). Clarke (2001:23) argues that without a clear employment contract, better working conditions and legal protection, casual workers at Pick n Pay are going through difficult times. As flexible workers, they are not treated in the same way as permanent employees. Clarke (2001:15) indicates that casual employees are not happy with the manner in which their work schedule changes continually. Casual employees' work schedule changes very frequently and that makes it difficult for them to make time to spend with their families (Clarke, 2001:15). It has been argued by Clarke (2001:15) that casual employees are not told in advance when they must come to work but they are told a day before the time and they often receive phone calls during the night telling them to come to work the next day. If they refuse to come to work the next day, their working hours will be reduced for some weeks and that will automatically reduce their wages (Clarke, 2001:15).

Forrest (2006:148) points out that the growing number of casual workers who are in need of jobs can undermine the hard-won benefits of permanent workers. He argues that when permanent workers go on wage strikes, casual workers are used as substitutes for striking permanent workers. Forrest (2006:148) indicated that casual workers do not support the strikes of permanent workers because it is the permanent workers themselves who benefit eventually, not the casual workers. Casual workers in need of jobs and who wish to work

enough hours to increase their wages might have a chance of replacing full-time workers when a strike tends to last long.

At Pick n Pay, permanent staff (Forrest, 2006:148) feel less secure when the company employs many people as casuals. Using casual workers seem to be an alternative to recruiting permanent workers at Pick n Pay. As flexible staff at Pick n Pay, they do not have access to trade union membership and they are reluctant to support any demand made by permanent workers to the company. Sometimes this situation leads to an argument between permanent and casual workers. The increased number of casual workers used by Pick n Pay management does not bring workers together into a large group where they are involved in an increasingly socialised labour process (Forrest, 2006:148).

Kenny (2003:173) pointed out that the wages and benefits of subcontracted workers and casual employees in the retail industry are not equal. She points out that in 2000 casual employees such as till packers were earning R5,90 per hour and cashiers were earning R6,30 per hour (Kenny, 2003:173). She points out that the wages of subcontracted employees were completely different; their income was between R2,64 and R15,60 per hour as compared to that of casual workers (Kenny, 2003:173). This shows that flexible employment such as casual and subcontracted work goes hand in hand with lower levels of income, making it more difficult for workers to satisfy their basic needs (SACCAWU, 2008b:1). With regard to Pick n Pay, the difference between the income of the company's chief executive officer (CEO) (for example Sean Summers) and casual workers is huge. It has been reported that the income gap is worse in the Western Cape (SACCAWU, 2008a: 2).

Craven (2008:6) argues that Sean Summers of Pick n Pay received an all-inclusive package of R10, 19 million per annum. It has been reported that Sean Summers has sold his shares in Pick n Pay worth R13,5 million and that his total package has increased to R23,69 million per annum (Craven, 2008:6). In the case of Shoprite Checkers, the company's CEO has been paid R9 million in the form of a bonus, but workers who have worked for the company for almost 20 years are still earning as little as R1 000 per month. The vast majority of workers (80%) are on part-time employment contracts (Parliamentary Monitoring Group (PMG), 2006:3). It has been reported by the PMG that Shoprite Checkers has been spending a great deal of

money on annual women's awards at the expense of leaving workers (mostly women) without childcare benefits (PMG, 2006:3).

With regard to wages, Pick n Pay flexible workers have been earning lower wages than permanent employees. According to the SACP Pick n Pay is making huge profits at the expense of workers; the company does not reward workers with enough money and bonuses (SACP, 2005:1). The use of casualisation, outsourcing and other flexible kinds of employment has decreased the wages of workers (COSATU, 2008:3). For instance, it has been reported by Aluta Contia (2005:2) that Pick n Pay full-time employees (cashiers) earn R25,95 per hour and those who are not full-time employees earn as little as R13,24 per hour for working 84 hours per month. Labour movements are demanding equal payment for the same work. It has been reported that casualisation has led to discrimination and due to the casualisation process companies maximise profits at the expense of workers (Aluta Continua, 2005:2). From this point of view, non-full-time employees are less likely to meet their basic needs and support their families and fulfil their financial obligations. Kenny (2001:5) indicates that at retailers, casuals earn as little as R7,17 per hour and full-time employees earn R10,45 per hour. In Mangaung, the Free State Province, casual workers earn R7,20 per hour for a six-day week (Dhlamini, Maluleke, Mokoena, Ncaca, Pearce, & Waldner, 2005:4).

Kenny (2005:1) points out that permanent workers are entitled to benefits such as a provident fund and bonus cheque (Kenny, 2001:5). However, till packers earn as little as R5,90 per hour, and cashiers earn as little as R6,90 per hour (Kenny, 2001:5). This indicates the wage gap between full-time and permanent workers. It has been recorded that the minimum wage in Pick n Pay is R2 500 per annum (Amandla, 2008:2). Craven (2008:6) argues that the minimum wage in Pick n Pay is R4 800 per annum, that is Pick n Pay pays workers the minimum wage of R400 per month. When comparing the minimum wages of Pick n Pay workers with the CEO's all-inclusive package, it clearly shows that Sean Summer's package is 790 times larger than the minimum wage of Pick n Pay workers (Craven, 2008:6). This shows that inequality is very high and that the majority of the working poor are benefiting very little in the South African economy (Craven, 2008:6).

Kenny (2001:11) argues that flexible employment imposes a low standard of living on workers as well as their families. She indicates that families who depend on non-full-time

employees do not have a fair chance to gain access to resources such as running water, electricity and telephones. From this point of view, they tend to be poor (Kenny, 2001:12). With regard to accommodation, some workers stay in a shack in areas where there is no proper housing and social infrastructures, and some stay in shacks in someone's yard (Kenny, 2001:12). The difference between working class and poor areas becomes increasingly visible as flexible employment destroys permanent secure jobs (Kenny, 2001:12). Kenny (2001:6) indicates that subcontracted workers earn R7 per hour as compared to full-time workers. There is no limit to their working hours. For instance, casuals work long hours and subcontracted workers most of the time work more than 45 hours per week. There is no payment for overtime work (Kenny, 2001:6).

Clarke (2006:173) points out that retail stores are characterised by racial and gender inequality. Retail stores have a high percentage of black workers. Black people, especially women, dominate the workforce in retail stores. Clarke (2006:173) argues that casualisation and externalisation are associated with the black population, especially women. Clarke (2006:173) points out that in the early 2000, black people occupied 57% of casual and externalised jobs. Out of 57%, 31% were women and 26% were men. It is clear that more women tend to be employed as casuals and externalised workers as compared to men (Clarke, 2006:173). Moss (2002:23) indicates that the majority of the black population occupy low-skilled jobs in the retail industry. The majority do not have a formal education. Their chance to move from lower positions to top positions is minimal (Moss, 2002:26). The majority of the black population, black women in particular, occupy lower positions (Moss, 2002:27). This really shows that there is discrimination based on gender and race.

4.4 Collective bargaining at retail outlets

During the apartheid period, the South African retail sector was operating without collective bargaining between trade unions and retail companies, but collective bargaining was found in small individual firms (Godfrey *et al.*, 2007:86). Collective bargaining refers to social structures in which both trade unions and employers discuss the terms and conditions of employment of workers and other work-related matters such as strikes, dismissal of workers and putting back dismissed strikers into their jobs (Barker & Holtzhausen, 1996:25).

Since the transition to democracy, major retail companies have made use of collective bargaining, but some retail companies still do not have collective bargaining (Godfrey *et al.*, 2007:86). For example, retail companies such as Pick n Pay and Shoprite Checkers have bargaining units and workers are included as well. Godfrey *et al.* (2007:86) point out that at Pick n Pay, both permanent and flexible workers (despite their differences in terms of wages and benefits) are included in the bargaining unit. Pick n Pay's bargaining unit consists of 14 000 permanent and flexible workers (Godfrey *et al.*, 2007:86).

Due to the large number of casuals and flexi-timers at retail companies, SACCAWU has been struggling to organise so-called flexible employees (Godfrey *et al.*, 2007:86). Regardless of the large number of casuals and other flexible workers at major retail outlets, SACCAWU at its 2004 collective bargaining conference has come to the conclusion that all flexible workers have to be included in all its bargaining groups. The motivation for this was that flexible workers must have similar benefits to those of permanent workers and that a sense of unity among flexible and permanent workers should be built. However, these goals have not been achieved at all the big retail companies.

Regarding bargaining, SACCAWU had discussions with retailers such as Pick n Pay about a premium wage for flexible workers (Godfrey *et al.*, 2007:86). According to SACCAWU's demands, flexible workers must get paid a high rate for working flexible hours. SACCAWU believes that the use of flexible workers by retailers might be reduced if flexible workers get paid a high rate for working flexible hours. Godfrey *et al.* (2007:86) argue that the demand (a premium wage for flexible workers) made by SACCAWU has the ability to worsen the differences between permanent and flexible workers.

SACCAWU, one of the COSATU affiliates, is the main trade union federation that attempts to organise workers in the retail industry. Since the beginning of the transition to democracy, SACCAWU has recognised that flexible workers are the main challenge to its bargaining power and to union membership. The main objective of the federation has been to represent workers and negotiate job security, working conditions and benefits for flexible workers in big retail companies such as Pick n Pay, Checkers and Shoprite (Kenny, 2003:175–177). Trade unions such as SACCAWU and COSATU are strongly opposing the use of flexible employment. They have mobilised workers to engage in mass action to discourage the use

of casual employment and to demand a wage increase (SACCAWU, 2008a). The main labour federation in South Africa, COSATU, has announced that it will support SACCAWU and Pick n Pay strikes because workers at Pick n Pay have the right to demand a better share of the profits that have been made as a result of their hard work. Workers have contributed to the company's profit maximisation (Legalbrief Today, 2005). SACCAWU members are not benefiting enough from the company's profits (Amandla, 2008:2). Trade unions representing striking Pick n Pay workers believe that protest action is one of the best ways to force the company to meet worker demands. COSATU has announced that it is fair to have more benefits from business, and jobs must be saved rather than reduced for business benefits (COSATU, 2005:3).

By 2005, 61% of Pick n Pay workers were actively involved in protests actions (BBC News, 2006). SACCAWU and COSATU want the creation of decent jobs, secure jobs and jobs that pay the minimum wage (BBC News, 2006). Trade unions appeal to companies to stop utilising casual employment and outsourcing jobs and they encourage retailers to develop local production rather than depend on imported products (BBC News, 2006). With regard to strategies employed by trade unions, COSATU has encouraged its workers to lend SACCAWU support in its mass action against Pick n Pay in Johannesburg. The labour movements announced that Pick n Pay workers, especially casualised employees, are underpaid and exploited (The Citizen, 2008). The mass actions against Pick n Pay were arranged to take place in Johannesburg, Durban, Cape Town, Bloemfontein and Port Elizabeth (The Citizen, 2008). It has been indicated that the workers are demanding a wage increase and that they are not happy with the use of casual workers. With regard to casual labour rights at Pick n Pay, SACCAWU has started a number of labour disputes with Pick n Pay about wage increases. Workers represented by SACCAWU want a R500 wage increase. Basically, they want a minimum of R3 000 per year. The company said it is willing to increase workers' wages by R320, a minimum of R2 575 per annum, for three years (COSATU, 2008b:1).

SACCAWU's general secretary, Bones Skulu, argues that Pick n Pay's trading profit has increased but workers' wages have not increased. Bones Skulu points out that the annual package of Pick n Pay's CEO can pay workers an amount of R667 per month or can pay one

worker a minimum of R3 415,73 per month for 56 years (Hamilton, 2005:1). SACCAWU has mentioned that when negotiating a wage dispute with the company, Pick n Pay mentioned that restructuring such as re-branding and changes of company logos is costly to the company and thus the company cannot increase workers' wages to a minimum of R3 000 per year as demanded by workers (COSATU, 2008b:1). Responding to the wage increase demand, Pick n Pay's CEO Sean Summers argues that it is not fair of SACCAWU to reject the 7.9% or R310 wage increase from the company because the offer is above the 3.5% inflation rate (Hamilton, 2005:1). Sean Summer argues that workers at Pick n Pay have not been retrenched and the company is planning to expand its industry. This helps in creating employment (Hamilton, 2005:1).

4.5 Conclusion

Pick n Pay workers are seriously being undermined by the restructuring of the workforce. The process of casualisation, part-time employment and subcontracting that has been increasing since the early 1990s has impacted workers negatively. Retail workers occupy insecure jobs, face job insecurity, are denied access to career development and training, their benefits have been withdrawn and their wages have been reduced. The conditions of non-full-time workers do not comply with labour laws such as the BCEA, LRA, EEA and SDA, and, most importantly, they do not have rights that enable them to use collective action to change their working conditions (Clarke, 2006:169; Kenny, 2005:226). Casualisation and subcontracting have permitted Pick n Pay to undermine unskilled people even further. Nonpermanent workers do not earn minimum wages to cover their basic needs and their families are affected as well (Kenny, 2001:12). Those families depending on casual, part-time and subcontracted workers are likely to live without some resources.

Chapter 5: Conclusion

The objective of this study was to explain and identify the problems confronting workers in South Africa, focusing on the impact of labour market flexibility on workers and the impact of globalisation on trade union movements. Globalisation has been discussed from different angles. It has to do with the integration of economies into one integrated world economy (Jeffery & Whalley, 2008:74). It also involves the integration of international trade, finance and information into a single integrated world market economy. Globalisation has made its own contribution to the economy in general, but its impact on workers and trade unions cannot be ignored. Patrick Bond argues that globalisation did not empower everyone in terms of social policy, workers' rights and gender equality. Bond (2005:198) claims that the dramatic increase in inequality is closely related to the globalisation phenomenon.

On the positive side of globalisation, the process has contributed in terms of growing and expanding certain industries. Globalisation is closely associated with economic growth. For instance, Africa's growth performance (GDP per capita) is associated with globalisation. Per capita growth has increased, and countries such as South Africa have done well in attracting FDI. Industries such as mining and manufacturing and industries dealing with fuels have achieved success in terms of growth and expansion (Jeffery, 2007:4–5; Stiglitz, 2002:67).

What this study indicates is that under the influence of globalisation, the economic changes of the post-1990 transition period in the South African political economy have impacted trade union movements. The study shows that the capacity of trade unions to deal with capital has been limited and that trade unions' tactics to mobilise and initiate industrial actions are failing, especially in circumstances where employees are retrenched. Trade unions are struggling to organise flexible workers, and trade unions tend to lose their strength to represent the new working group (flexible employees). Full-time workers are under threat from casuals, temporary workers and subcontracted workers. The study

demonstrates that the conditions of the majority of flexible workers do not comply with the new labour legislations. The majority of them do not earn minimum wages.

The free market economy that brought labour market flexibility emerged because of the pressure from globalisation and was driven by Western countries. Integrating the economy into a single world economy was the idea encouraged by Western institutions such as the International Monetary Fund (IMF). The use of labour market flexibility by different companies in South Africa, and in particular Pick n Pay, has increased due to deregulation and mobility of capital. Various comments on labour market flexibility have been made during the course of this study. Its impact on workers has led to the creation of a new poor working class. Trade unions such as COSATU, NUM and SACCAWU are fighting almost every day to deal with the impact of labour market flexibility on workers.

The ANC government has introduced its new macroeconomic policy (GEAR) to create jobs, grow the economy, reduce poverty and unemployment, and make the economy much competitive and efficient. It has achieved economic efficiency and growth at the expense of workers through restructuring and employment reduction. Basically, the study shows that the introduction of GEAR has been accompanied by an explosive growth of unemployment through retrenchments and a return of mass structural inequality and poverty in South Africa. Under this policy, the majority of jobs are flexible. The study suggests that many of the jobs created in industries such as mining, manufacturing, construction and retailing in South Africa are simply the result of economic restructuring and specifically the call for labour market flexibility as one of the GEAR pillars.

Flexible employment poses a serious threat to full-time employment. There has been an increase in the co-operation between labour brokers and companies in terms of recruiting workers. The number of workers employed by companies through labour agencies, and the impact of this on workers and labour regulation is radical. The South African macroeconomic policy has undoubtedly made a huge contribution to increasing poverty, and the policy was not comprehensive enough to address major problems (such as poverty, inequality and unemployment) in South Africa. The ANC's neoliberal policy is 'business friendly'; that is, the policy favours the business sector more than the workers. The policy's purpose of achieving economic growth is objectively anti-poor, as the gap between economic growth and

employment growth continues to open up wider and poor people are not able to integrate into the South African economic expansion. The policy has segmented the South African economy into two economies, namely first and second economy.

As the study shows, South Africa is seen as one of the advanced industrial democracies, but unemployment has increased since the ANC's accession to power. The figures discussed in the study indicate the increase in unemployment in South Africa; the majority of the population, especially black people, are affected. The ANC government implemented a neoliberal economic policy (GEAR) that aimed at reducing unemployment, but the policy accomplished the opposite. After the ANC had realised that unemployment had not been halved as expected and that it was still increasing, it came up with a new plan in the form of ASGISA to reduce unemployment by the year 2014. As discussed in the study, the ANC trust that the problem of unemployment will be solved by the effective use of the ASGISA mandates. The ANC believes that ASGISA is an effective strategy to fight unemployment and enhance small business enterprises in the challenging modern world.

Regarding ASGISA, South African former president, Thabo Mbeki, explains programmes that can be used effectively to reduce poverty and unemployment (Terreblance, 2008:118). In line with that, Thabo Mbeki claims that the two economies, the first and second economy, can be independent of one another. Terreblance (2008:118) argues that this claim is not justifiable because interference in the second economy by government is not going to be a success if global neoliberal capitalism continues to be intact in the first economy. If the ANC government wants to achieve its goal of reducing poverty and unemployment by coming up with a new developmental plan, South Africa's two economies, the first and second, need to be restructured (Terreblance, 2008:118). The duty to come up with a new developmental plan does not have to be an issue to be dealt with by public or government, but it also needs an input from the private sectors (Terreblance, 2008:118). Input from strong corporate sectors in the public such as monopoly capitalism can also make a huge different in this matter (Terreblance, 2008:119).

Terreblance (2008:122–126) argues that the struggle in South Africa is not over yet and that there is still a difficult road ahead. Allied to this, he argues that the level of unemployment and poverty in South Africa will not be reduced in the coming years as long as the economic

system and policy approach of the ANC does not change (Terreblance, 2008:112). Regardless of increasing unemployment and poverty in South Africa, the ANC still trusts that the current economic and social policies are effective and that it is not necessary for the government to come up with new policy frameworks (Terreblance, 2008:112).

South Africa needs to be mindful of the role played by economic power and property in the power constellation of the South African neoliberal capitalist system (Terreblance, 2008:128). In combination with free market components, individuals who have economic power and personal and physical property have accumulated more wealth since the ANC's accession to power in 1994 (Terreblance, 2008:128).

On the other hand, people who are economically weak and lack property have remained poor. Before the ANC took over the government, from around 1890 to 1990, white people had economic and political power that allowed them to grab more economic wealth and access to property under the apartheid system, which contributed greatly to white people's wealth and the black population's poverty (Terreblance, 2008:124). As this study argues, the ANC government did not use its power extensively to promote the interests of the poor but gave white people and the top middle class an advantage, enabling them to enjoy the fruits of the South African economy and gain more access to property under the South African neoliberal capitalist system (Terreblance, 2008:124).

As the study suggests, under the conditions of globalisation, new types of flexible work and informalisation have emerged in South Africa, just like elsewhere in the world, and they are dividing the workforce in different ways. The study indicates that it is important to note that the labour market in South Africa is characterised by racial inequality under the ANC economic policy, which has disadvantaged the majority of black people.

The study chose Pick n Pay as clear case-study for examining flexible work practices. It is important to note that, in many respects, retailers such as Pick n Pay present a special case of labour market flexibility. The case-study demonstrates that Pick n Pay uses labour market flexibility in order to compete for market shares. The restructuring of work is based on reducing costs and achieving market shares through the use of atypical employment. In the case of Pick n Pay, this study has analysed the possible connections between labour market

flexibility and conditions of employment. It has evaluated the likely impacts of atypical employment on workers in the retail sector, focusing mainly on Pick and Pay. The process of work restructuring by Pick n Pay through the introduction of casuals, temporary workers, part-time workers and subcontracted workers has resulted in the reduction of decent jobs for the majority in this company. This study has found that flexible employment generally brings about poor working conditions, decreased wages and reduced benefits for workers; it also decreases opportunities for promotion.

Atypical employment increases the chances of employment relations becoming much more fragmented. The introduction of flexible jobs limits the capacity of labour laws to regulate the retail sector and it does not enable flexible workers to organise themselves and act collectively. This has had a negative impact on the labour market in South Africa (Dibben, 2008:112–113). The main trade union federation in the retail sector, SACCAWU, is working hard to organise flexible workers.

As shown in the study, SACCAWU was involved in mobilising workers to join in a mass action in different provinces to force retail stores such as Pick n Pay to accept the demands made by trade unions. SACCAWU believed that it was left with no other option but to expose Pick n Pay as being exploitative until the company agreed to its demands or showed a commitment towards increasing workers' (especially flexible workers) wages to the minimum wage as demanded by the trade union. The main trade union federation in South Africa, COSATU, has been supporting SACCAWU in the demand for minimum wage, which is seen as one of the fair offers flexible workers can get. SACCAWU is making a great effort to improve and promote flexible workers' conditions of employment as well as their rewards. COSATU is also against the use of labour brokers by retail companies. As argued in the study, Cosatu believes that labour brokers or agents do not provide workers with decent jobs. According to SACCAWU, flexible workers must have union protection as well as benefits. SACCAWU believes that flexible workers are also contributing to retail companies' effectiveness and that it is necessary for retail companies such as Pick n Pay to reward flexible workers with fair minimum wages.

SACCAWU has been bargaining for better wages with Pick n Pay. SACCAWU has realised that contingent employment is hitting workers hard, and that has put SACCAWU in a tough

position to approach Pick n Pay to negotiate a premium wage and better conditions of employment. SACCAWU notes that Pick n Pay is simply reducing labour costs by using a large number of flexible staff instead of permanent employees. SACCAWU emphasises that Pick n Pay must pay flexible staff higher wages for flexible hours worked.

During the apartheid era, South Africa was characterised by a high level of racial and gender inequality. Solving the problem of gender and racial inequality has been one of the aims of the new government since the beginning of its leadership in 1994. The ANC government implemented GEAR to address the structural inequality created by the old government of the National Party. However, GEAR did not solve the problem of inequality but rather increased inequality and ensured high earnings for the owners of capital and for employees with skills (Voladia, 2001: 878).

This study argues that under the conditions of globalisation, which influenced the ANC government to implement its neoliberal economic policy, GEAR, the South African economy has taken a capital intensification direction. In line with that, the majority of South African industries have committed themselves to flexible work practices, and those practices do not promote the advancement of women in the formal economy. This study indicates that there is a link between atypical employment and gender inequality. The employees who experience insecure jobs the most are women, the youth and black workers. The majority of women are found in flexible work and the informal economy. For example, the number of women entering the labour market has increased in the country since 1994 onwards, but the majority of them are employed as casuals, temporary workers and part-time workers in the retail or wholesale industries. Most of them are not members of existing trade unions such as SACCAWU. They also feel reluctant to join trade unions, attend union meetings and actively participate in union matters (Dibbens, 2008:113; Voladia, 2001:878).

The free market or neoliberal global capitalist system does not come as a big surprise to many. The people (labour movements and other organisations) who know it best always knew it has been and will always be a fundamentally immoral phenomenon. The neoliberal global capitalist system has advantaged rich people and those with property, enabling them to accumulate more wealth (Terreblanche, 2008:122–126). On the other hand, the neoliberal global capitalist system did not empower the poor majority who lack skills,

property and bargaining power (Terreblanche, 2008:122–126). On the ground of free market principles, poor people are not included in the global economic game because they are seen as less productive and lacking capabilities (Terreblanche, 2008:122–126). In an important sense, the neoliberal global capitalist system does not involve and empower the poor majority, but it does strengthen the position of the rich and propertied class.

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