

NEGOTIATIONS BULLETIN

APRIL 1996



Papers from the labour negotiations school

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The story of our taxes

Kgalema Motlanthe is the general secretary of NUM. This is a summary of the paper he delivered at the Labour Negotiations School at the beginning of March.

IN SOUTH AFRICA two kinds of taxes are imposed by the tax authorities, namely direct and indirect taxes. Direct taxes are those that are levied directly on the income and wealth of companies and individuals. Examples of direct taxes are personal income taxes paid by salaried employees and taxation paid on company profits. Indirect taxes are those taxes levied not directly on income earned, but on certain transactions. Examples of indirect taxes are value added taxation, customs and excise duties and transfer duties.

The power to levy taxation rests with the central government. It is thus government's responsibility to ensure that a taxation structure and balance is achieved that would not only meet its budget requirements but also be fair and acceptable to its constituents.

Value Added Tax

In countries with high unemployment there has been a shift to indirect forms of taxation as this has the effect of bringing every consumer into the tax net. As a large



Cheered on by his comrades, a protestor pulls down a VAT poster during an anti-VAT march in 1991

number of our people are unemployed, this form of indirect taxation is most effective because VAT is taxed on transactions and not on monthly income.

The major discussion around value added tax is whether parliament should opt for increasing the vat rate and whether the net zero rated products should be increased. It is undisputed that an

increase in the VAT rate would decrease the disposable income and savings of individuals. One has to ask if the major companies and mining houses would compensate employees for this by way of higher salaries. It would be totally unacceptable if the VAT rate is increased with no form of relief to the poor and unemployed people of our country.

I maintain that if the VAT rate is increased then the net for zero rated products should also be increased. However, any increase in zero rated products should be carefully investigated to ensure that the benefits actually reach the poor and destitute of the country. Another form of assistance to the poor could be the introduction of the Dool or Coupon system for necessities such as food. This would mean that an administration system would have to be set up to monitor and provide coupons to those who qualify. The cost of administering this would have to be closely monitored.

The Katz Commission has ignored Cosatu's written evidence presented to the Finance Committee last year on why poverty relief measures could not be used as a substitute for zero rating. The fact of the matter is that VAT is a regressive system of tax that predominantly hurts the poor and zero rating is one of the only significant sources of relief to the poor.

The commission argues that the question of increasing taxes on low income workers can be traded off against increasing the VAT rate or narrowing zero rating. In other words, what the commission gives to the poor with one hand it wants to take away with the other. This is totally unacceptable.

The question of introducing a differential rate to offset the regressive effect of VAT has in my opinion not been sufficiently investigated by the Katz Commission. A multi tier system of VAT is now common in many countries. Having a higher rate of VAT on certain luxury items would have the effect of offsetting the VAT revenue losses on increasing number of zero rated items.

The submission by the Katz Commission that the introduction of a multi tier system of VAT would be too complex to administer and that the revenue would be insignificant is, in my opinion, totally unsubstantiated.

It should be noted that under

The workers' most in danger are Provident Fund members who carry the risk and depend on good returns

the current VAT system certain products and services are exempt. These exempt items have to be reviewed to ensure that the benefit of these items favour the poor and underprivileged people of the country. The entire approach to reform of the VAT system should be to ensure that the low income earners and the poor are afforded some form of relief.

Capital gains tax

The Katz Commission fails to show in any clear way why capital gains tax should not be implemented. In order for any system of taxation to be progressive certain disparities in wealth have to be addressed. A capital gains tax would not only address these disparities but would also be in line with the commitments in the RDP.

As for wealth tax, the commission points out that it would be beneficial as there is a huge disparity of income and assets between the various groups in South Africa. The only effective way to redistribute wealth and address the inequalities of the past is to introduce a system of capital gains tax on wealth accumulated. This would relieve the burden of tax on the poor and under privileged of South Africa. The restructuring of our taxation system should be approached with the needs of the poor and under privileged as the first priority.

Labour has a significant interest in this matter. Wealth,

which includes capital, is generated from income and, as Katz has acknowledged, forms a base for tax collection with income and consumption.

Tax on retirement funding

1. Taxation on contributions

It should be noted that in South Africa pension and provident funds are not taxed equally. Currently, pension fund contributions are deductible. However, provident funds that pay out lump sums are taxed. This unequal treatment was in order to discourage provident funds which the government regarded as causing workers to withdraw all their benefits in one go, spend it and then fall back on the state old age pension.

Workers of course have good reason for supporting provident funds. These include needing cash in times of unemployment, starting a small business, not wanting to wait long periods for small monthly instalments etc. Due to this the commission, having realised that the previous tax regimes have not deferred provident funds and also realising that provident funds are becoming more popular, has opted for the equal treatment of both pension and provident funds.

The commission thus recommended that provident fund contributions be made tax deductible as is the case with pension funds. The commission also recommended that the top hat system where employers boost the pension of high income earners be capped so that the abuse of the tax concessions on pension funds is controlled.

If the commission's recommendation of making provident fund contributions tax deductible is accepted, then this would mean less income to the state coffers. Why doesn't the commission recommend the taxation of pension fund contributions? This would have the effect of increasing the income to the state which could be used to

assist low income fund members. The reluctance by the commission to tax pension fund contributions could be linked to the fact that most high income earners are members of pension and not provident funds.

The Katz Commission suggestion that the tax deductibility of provident funds be offset by higher taxation on lump sum payouts is not totally acceptable. The commission has not stated whether the net effect would leave workers better off.

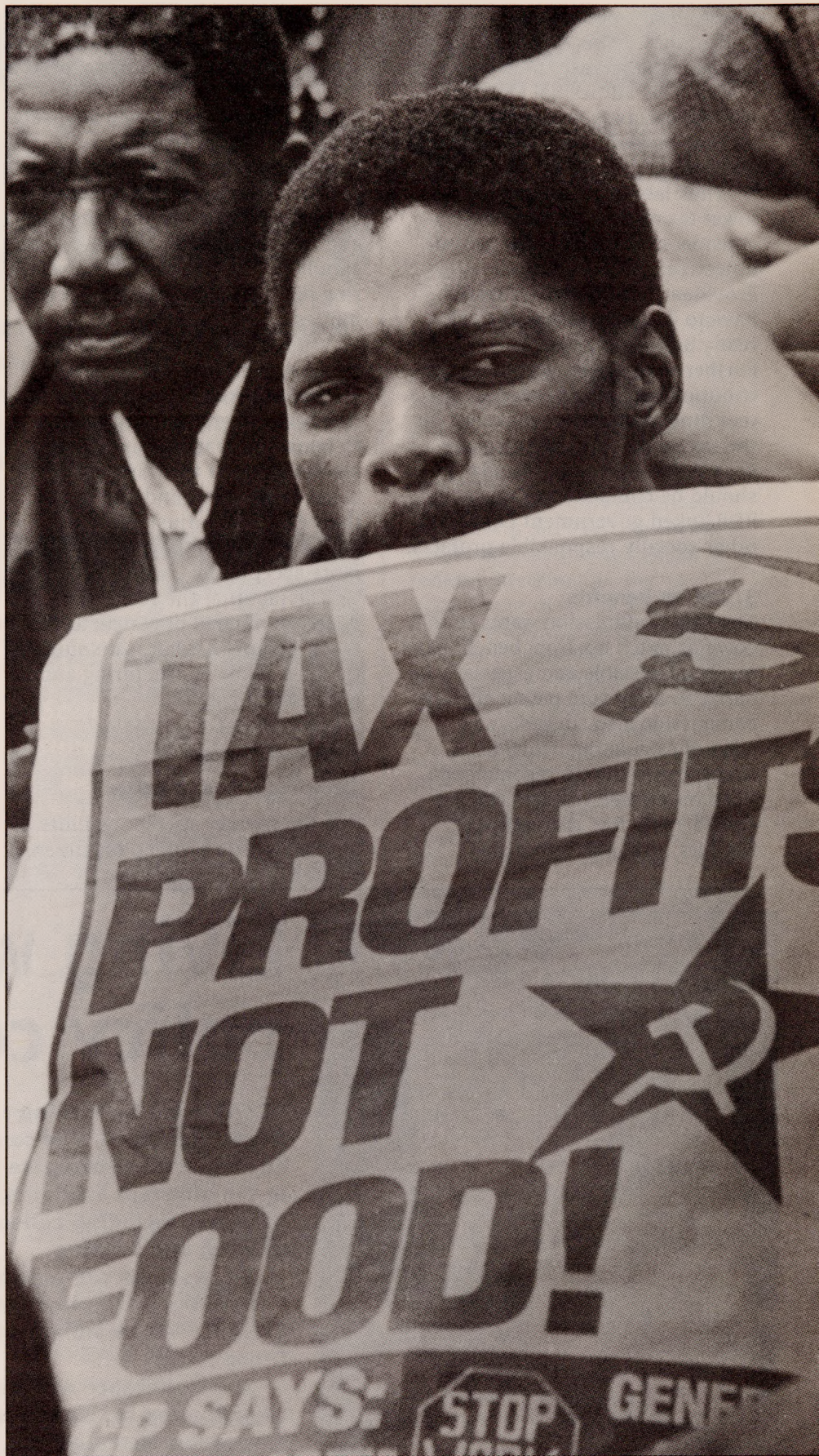
2. Taxation of fund income

At present income that accrues to retirement funds are not taxed. The Katz commission has stated that this tax exemption has been abused as tax shelters and has therefore resulted in the loss of large amounts of tax revenue. Katz refers to this as "arbitrage". The fact that the life assurance industry is taxed at a rate of 30% and the retirement industry is not taxed has been abused.

Companies, by moving monies in and out of funds, gain huge tax advantages, mainly through the purchase of property. The commission recommends that fund income be taxed at 30%. Katz does not justify this rate in any clear way. Labour maintains that this is significantly in excess of the marginal rate of most members of most funds. It is therefore important that if a tax on income is accepted, the rate should be equal or less than the marginal tax rate for the majority of members in the fund.

Tax on income would mean fewer returns for fund members. The workers most in danger are provident fund members who carry the risk and depend on good returns. In the case of pension fund members, where employers must make up any loss, poor returns place the burden on the employer and not the worker.

Tax on fund income will increase the cost of government borrowing and reduce investment in government stock. To increase returns to offset the tax charge, funds would move out of lower in-



The restructuring of our tax system should be approved with the needs of the poor and underprivileged in mind

terest government stocks and go into equities. This may force government to increase rates on bonds. This additional expense will fall on taxpayers and means less money for other commitments and projects.

Thus labour maintains that a lower tax charge would only be considered if it meets the overall objectives outlined above. Provident fund members would have to be protected as they already bear a tax burden. Furthermore higher employer contributions are also needed to protect fund members to make up for the tax on income. It is also suggested that retirement funds should be compelled to invest in RDP linked government bonds and other socially responsible projects.

3. Tax on benefits

The Katz Commission wants to recover as much tax from benefit payments as possible and especially be harsh on lump sum payments. The commission also suggests new ways of calculating benefits. According to the it's recommendations retrenched workers will get considerably less than retired workers, although retrenched

workers of 50 years or over can get the same benefit as retired workers.

The notion by Katz that workers receiving lump sum payments would spend their money unwisely is not well supported. For retrenched workers it is more likely that better lump sum payments will encourage entrepreneurship and capital accumulation. Workers should not be penalised for preferring lump sum payments over annuities.

I therefore maintain that lump sum payments should be considered in terms of private accumulation for workers. Any adjustment to lump sum payouts and taxation should be done with the low income earners in mind and not at their expense. Adjustments to higher lump sum payouts would be more acceptable.

The fact that the retirement industry is in need of restructuring is not disputed, what is disputed is the method of restructuring and at whose expense.

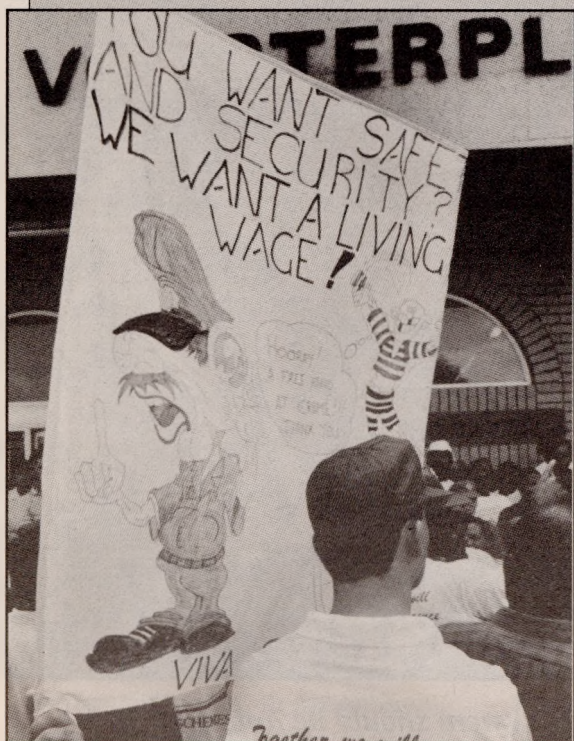
Defence and Intelligence budget

It is the sovereign responsibility of government to protect its citizens.

However, the cost of this protection should not be over – stated by the government to maintain an unnecessarily large defence force or defence hardware. We all acknowledge that unlike in the past, we do not face the threats from previous "hostile" neighbours.

There has to be a re-evaluation of our defence needs, the perceived threats both externally and internally and on this basis an acceptable budget should be drawn up. It is important to define the role of the military in this new society of ours. If it is expected that the army is to be used to aid in crime prevention, then the budget has to be adjusted to account for this form of added expenditure.

In this same light the intelligence budget has to be one that can be fully justified. The intelligence of our country has been in the news recently for bugging and other spying activities. There has been great debate on the role and objectives of this unit. Only once the objectives and responsibilities of this unit have been identified, can an appropriate budget be set. ○



Living wage policy conference

COSATU will be holding a living wage policy conference from 19-21 April. The conference aims to come up with strategies to co-ordinate struggles around a living wage in the different affiliates. It will be looking at a number of issues including collective bargaining, negotiations, grading and training.

Discussions will also be held around the Basic Conditions of Employment act and based on these COSATU will formulate a response to the government's Green Paper.

The conference will also be looking at the state of the organisation in relation to campaigns and the co-ordination of campaigns. The conference should emerge with clear campaigns which also serve to revive the structure of the organisation.

FUNCTIONAL PRIVATISATION: *Unseen and unheard*

The following are summaries of two papers presented at the Labour Negotiations School outlining the experience of privatisation in Australia and Germany. Unfortunately, for the purpose of this Negotiations Bulletin the papers had to be substantially summarised.

I have interpreted the topic of my presentation, "functional privatisation", to be what is more usually known as contracting out or outsourcing.

Outsourcing or Contracting out: Privatisation by stealth?

In some political debate and policy papers contracting out and outsourcing are described as if they are alternatives to privatisation. This view is often promoted by those who would attempt to depoliticise the debate about contracting out and outsourcing by suggesting that it is merely a technical tool and a decision of management and that these are tools now being more widely used in privately owned companies. This view has been legitimated by the "Clitonesque" approach to the politics of social democracy. Its philosophy is summed up in the catch phrase "Governments should steer but not row" meaning that they should set policy directions and objectives but not get involved in delivering things themselves.

In this debate it is important that we recognise that outsourcing and contracting out are not alternatives to privatisation but are specific techniques of privatisation. If we can describe privatisation in

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the sense in which it is most widely used internationally, the selling of a State asset like Telkom or SAA, as the "privatisation of capital" then we can describe contracting out and outsourcing as the "privatisation of labour". Essentially contracting out transfers the delivery or provision of a service from people who are directly employed by the State or parastatal, to workers employed by a private company or contractor.

Can we distinguish between core/non core activities of Governments?

Contracting out a particular activity or function from a Government is often justified on the argument that they are not "core" activities and hence are not

essential for its operations. We should treat this argument suspiciously because the distinction between what is core and no core to an organisation is flexible and always open to reinterpretation.

- In one of the most extensive contracting out exercises being undertaken by the Australian Federal Government, the Department of Defence's Commercial Support Program, all "non core" activities are being put through an exercise to determine whether they should be outsourced. Unions whose members have been directly affected by the programme have taken issue with the Department on a number of grounds, one of which is that the definition of non core which is used extends from catering on defence bases through to the maintenance of combat aircraft. Elsewhere in Australia, Health Unions have been faced with a number of proposals to outsource catering and similar functions from public hospitals on the grounds that they are "non core". But as they have argued, what can be more core to the recovery of patients in hospital than the nutritional content of their food and drink.

- Many of the activities which have been contracted out by Governments in the UK and Australia (because they are defined as non core) have been those like cleaning, catering and support services which employ large numbers of women workers. As one of many illustrations, the then Conservative Government of the Australian State of New South Wales contracted out the whole of

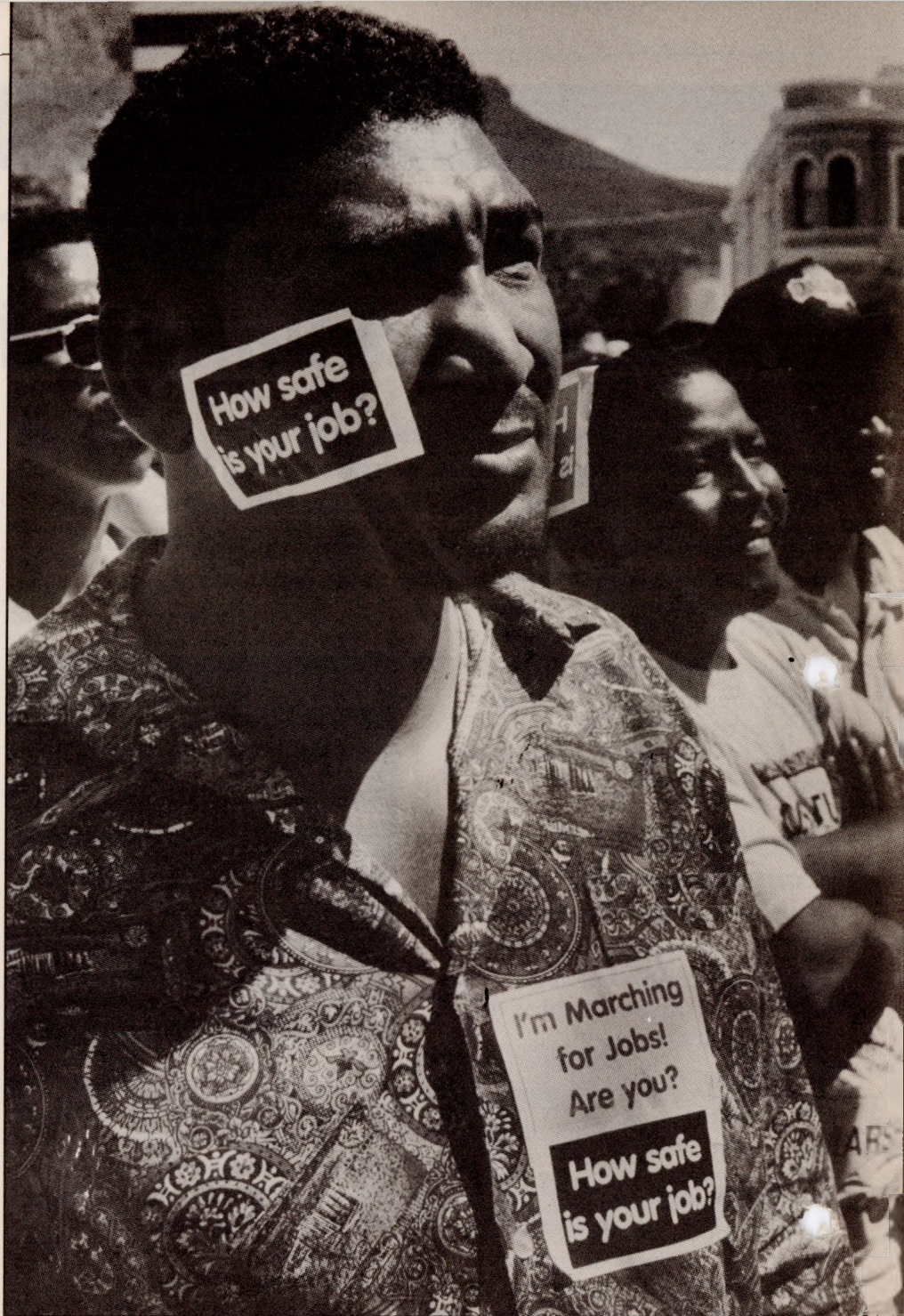
its cleaning service in 1994. Of the 7 700 workers whose jobs were contracted out, 77% were women. A recent official enquiry conducted in Australia concluded that contracting out appeared to affect most women workers, those in least skilled occupations and people from non English speaking backgrounds.

- It appears to be a common feature of the labour markets of Government agencies and parastatals that those generally most disadvantaged in the society are employed in what are seen by those in management positions who prepare outsourcing options, to be the non essential functions of Government. I understand from figures provided by POTWA in South Africa that Telkom had made a proposal in 1995 to outsource support services in transport, construction and workshops. Of the 14 500 workers whose jobs would have been affected, 90% are African.

Contracting out and the costs and financing of Government Services

Proposals to outsource or contract out Government functions are predominantly driven by financial considerations and by the expectation that contracting out saves money. Neo liberal economists in Australia indicate that outsourcing saves on average 20% of the running costs of services. However, this does not take into account all the additional costs which Governments incur when they contract out.

Retrenchments: One of the major additional costs is that of retrenching or making redundant those people who have provided a service or worked as public servants or employees of parastatals, since contracting out invariably results in the loss of jobs. Recent research in the UK showed that contracting out of a number of facilities by Local Councils, including garbage collection, cleaning and so on, had saved the councils 124 million pounds sterling each year.



The conclusion of the United Kingdom research is that outsourcing or contracting out leads to a reduction in the overall number of jobs

However, it had also resulted in the loss of over 74 000 jobs which produced additional Government expenditure for redundancy payments, unemployment benefits, retraining programs and so on. At the same time the Government lost revenue because those who lost their jobs or whose pay was reduced because of

contracting out were paying less in income tax.

When the reductions in taxation on the one hand and the increases in expenditure on the other were factored into the calculation, there was a net cost from contracting out to the macro economy of 126 million pounds sterling each year. This conclusion is important in the

SA context of 40% unemployment and the urgent need to create jobs.

Contracting out, employment and jobs

The findings of the UK research confirm the general conclusion that is reached in virtually every study or practical experience of contracting out or outsourcing: that they lead to a reduction in the overall number of jobs and that the pay and other terms and conditions of employment of those who do the work for the private contractor are reduced. The official research report in Australia generated its estimates of the macro economic effect of

contracting out on the basis that there are only two possible sources of financial savings when services are outsourced: a reduction in the number of employees, that is, job losses; or an increase in the intensity of the work, that is employees working harder, possibly for less pay.

In addition to this the UK research showed that 65% of affected jobs were found to be those of women workers, with reduction in some areas of employment of up to 30%. There was an increased casualisation of work, and the existing inequalities between men and women workers in terms of pay, conditions of work, access to advancement and promotion were widened by contracting out.

Outsourcing in the Context of Economic and Political Globalisation

Internationally, outsourcing, like privatisation more generally, is dominated by an identifiable group of trans and multinational companies. Multinational have expanded in scale and scope in the service industries since the 1980's partly through the extension of privatisation and contracting out. Their growth is evident if one looks either at any sector of the economy of the operations of specific Governments. There are a

In this debate it is important that we recognise that outsourcing and contracting out are not alternatives to privatisation, but are specific techniques of privatisation

number of important characteristics of globally operating multinationals:

- the world economy in these key sectors is characterised by domination and concentration with only limited competition
- While they may initially be clustered around certain "core activities" the multinationals operate across a range of public services as conglomerates.
- the scale and range of their operations makes it difficult to pin them down through national industry based regulation
- one reason for this is that they engage extensively in collaborative and joint ventures.

Issues for a Strategic Union Approach

What are outlined here are areas which a Union strategy should seek to address both in confronting and questioning proposals for outsourcing and or negotiating the terms on which it might take place.

1. Employment: In Europe and Australia there are now three methods being pursued to guarantee that where outsourcing takes place employees must transfer with their work on their existing conditions of employment:

- Legislation which exists in the European Union under so called Acquired Rights Directive
- Industrial agreements now being pursued by Australian Agreements in the absence of any general legislation
- Inserting clauses in individual contracts for outsourcing, the preferred methods of Federal and State governments in Australia.

2. Skills retention and transfer: outsourcing and contracting out both deprive the public sector of essential skills and expertise and can limit the possibility of employees acquiring these skills and advancing in their careers through the organisation.

3. Industrial Development:

As an alternative to systematic outsourcing, public agencies and enterprises should consider the strategic joint ventures or arrangements through which they can extend their own operations.

4. Dealing with Multinational Companies:

Public Services International is beginning to develop a strategy based on certain general principles, which include excluding companies with any record or history of corruption; excluding companies from more than one service or sector in the economy at any one time, making all contracts and outsourcing arrangements subject to public scrutiny, ensuring employment trade union recognition.

5. Global Regulation/De-Regulation

It is crucial that Unions and organised labour continue to engage in the process at an international level to gain insertion of social and employment clauses in international trading agreements. And at the national level, to actively influence whether and on what terms South Africa becomes a future signatory to those parts of the WTO which are directly and indirectly related to outsourcing and contracting out. ○

TELECOMMUNICATIONS PRIVATISATION

Some German experiences

Since 1 January 1995 the Deutsche Telekom, the Deutsche Post and the Postbank have all become private limited companies. As of yet, these corporations remain in the possession of the government to 100%. But in November of this year Deutsche Telekom AG wants to open up to the stock market. The company will launch a 15 billion Mark public offering – converted roughly R37 billion – which will be the biggest emission of shares in the history of the German economy, and one of the biggest launches to the stock markets world-wide.

The government's share on Deutsche Telekom will with this first step be reduced to 80% and can slide far below 50% after the year 2000 according to momentary plans. The Postal Service and the Postal Bank are also to be partly sold within the next few years having been "styled for the stock market" due to large rationalisation programmes. This is all within the "mainstream" of a world-wide dominating neo-liberal telecommunications and postal policy that is characterised by four basic outlines:

- the dissolution of the organisational link between posts and telecommunications, i.e. the renunciation of the classic PTT model
- the commercialisation of public postal and telecommunications administrations i.e. their withdrawal from direct ministerial guidance and their orientation towards private economical organisational structures and acting principles
- the privatisation of public

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telecommunication enterprises i.e. their alteration into limited companies followed by a (part) sale on the stock market – a trend that has, however stopped before the "yellow post" in most cases up to date, but not in Germany

- the liberalisation of the telecommunications markets and – in a more diminished form – of the postal markets i.e. the successive restriction and elimination of monopoly rights in these sectors that are traditionally not involved in competition intensively

The international trends have highly influenced the reform of the postal and telecommunications sector in Germany. This is not at least due to the commission of the European Union with its attitude

towards liberalisation and the US administration insisting on the opening of the German market – not to mention the major banks and multinational enterprises...

The restructuring of the German postal and telecommunications sectors has been realised in two legal steps – postal reform I and postal reform II. Postal reform I, set out in 1989, contained the following:

- the withdrawal of the PTT entity from the direct responsibility of the minister for Post and Telecommunications who thereafter solely realised observation and regulation functions
- the separation of the government's administration "Deutsche Bundespost" into three public enterprises: postal services, postal banking and telecom
- orientation of these three enterprises towards business management's goals but at the same time orientation towards public service obligations
- annulment of the monopoly of the public telecom regarding terminal equipment and all services with the exception of voice telephony

Even though the public German Telekom was still equipped with important monopoly rights, it has been subject to a growing liberalisation and competition pressure since 1989. This fact has led the top management of the company to call for eliminating the public legal status and the obligations towards public interests by means of privatisation before long.

Nevertheless, after the fall of the Berlin wall in 1989 and the German unification in 1990, it

proved to be an immense advantage that Telekom was still in public ownership, still had a public obligation to fulfil and was still equipped with a profitable monopoly. Only due to this the enterprise was ready and capable to modernise the desolate telecommunications network in east Germany with breathtaking speed and the investment of 60 million Mark – approximately 150 billion Rand. German Telekom was able to install nearly 4 million new telephone extensions since 1990. Before, only one in ten inhabitants of the GDR had a telephone link.

Nowadays, east Germany has got probably the most advanced telecommunications in the world. It is highly doubted that a private telephone company obligated to the interests of the share holders and committed to the usual kind of short term profitability would have involved itself in a similar manner and with equal success.

Even though Telekom's investment in east Germany was highly successful it paradoxically increased the pressure of privatisation on the enterprise. This is due to the fact that it led to massive indebtedness and a reduction of equity capital which in turn caused the demands to go to the stock market to increase. Additionally, in face of rapid globalisation of the communications market, one argument that could not easily be refuted was that the world-wide dominating legal form of a limited company should improve the company's ability of acting internationally as well as forming global alliances.

Given these circumstances the German government followed the goal to privatise the three enterprises, mainly Telekom, since 1991. Following a long and hard controversy it was able to achieve this goal in the summer of 1994 by changing the constitution and passing a law pertaining to the new regulation of post and telecommunications. This postal reform II basically includes the following elements:

- Conversion of Postdienst,

After the fall of the Berlin Wall in 1989, and German unification in 1990, it proved to be an immense advantage that Telekom was still in public ownership

Postbank and Telekom into private limited shareholder companies

- Successive sale of state ownership shares in these companies
- Withdrawal of the government into the function of regulation - according to the changed constitution the government is obligated "to guarantee adequate and satisfactory postal and telecommunications services within the whole area of Germany", but these services may only be supplied by private providers and not by public enterprises.
- Creation of a holding company under public law that administers the government's shares in the three companies and has a limited capacity for co-ordination
- Limited continuation of the network and telephony service monopolies of the Deutsche Telekom AG as well as the letter services monopoly of the Deutsche Post AG until final liberalisation decisions by the European Union.

The DPG has fought against this whole process since the middle of the 80's with all its power. We have organised our members as well as broad parts of the public, numerous demonstrations and col-

lections of signatures and votes within a long lasting campaign called "Secure and Postal Service – Save Telecommunication Services" against the Postal Reform I. We have developed our own model for reform under the slogan "modernisation instead of privatisation!" that contained the re-organisation of postal services, postal baking and telecom into autonomous public enterprises, better enabled to raise capital by selling a kind of "voteless shares".

Finally, we were on strike for four weeks, the longest and hardest strike in the history of the DPG – in order to secure important standards and rights concerning the protection and co-determination of the employees. In this we succeeded by achieving a framework of 13 collective bargaining agreements. For instance, we were able to accomplish that no single employee can be dismissed on grounds of privatisation. We were able to bring the social standards of the public service that are traditionally rather high into the new era after privatisation.

Which conclusions can be drawn from these experiences? To me the following points are important:

- The neo liberal promises of the wonderful effects of privatisation have not been fulfilled at any means. Privatisation is in particular far away from being an employment program. In Germany we now have to cope with the fact that Deutsche Telekom is going to get rid of 60 000 jobs in the next four years... Nobody can deny that privatisation actually doesn't create jobs – quite the reverse!
- Privatisation and liberalisation are two processes that are very closely connected. In the long run it will not be possible to retain a public communications enterprise in its status and its public welfare responsibility it does not hold any monopoly rights and if it finds itself under the growing pressure of an often unfair competition. Solely based on this fact, the unions should pay the same sceptical attention to the

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problems of liberalisation as to privatisation.

- Unions should not limit themselves to mere defiance of neo liberal models. Equally important are self sufficient proposals for reforms on behalf of the unions. Even if these should not be successful in their original form, they could be able to act as an antidote against radical privatisation concepts.
- Union proposals for modernisation can take very different organisational shapes, but I see five indispensable pillars for such concepts:
- strict obligation towards public welfare as the predominant business goal of the public telecommunications operator
- continuing capital majority of the state
- capability to mobilise the needed investment capital
- capability to form co-operations and alliances with other companies
- preservation of the interests of the employees, safekeeping of their workplaces, their income, their social standards, their co-determination rights at the workplace and within the whole company.

All of these are issues that unions have to fight for in each thinkable constellation and with all their strength. ○

Basic Conditions of Employment

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The last two decades have seen a major change in the public debate about labour standards. It is necessary to situate our programme in this new terrain where the struggle for worker rights will be found out. This means we need to look at the political and ideological developments which have shaped our terrain.

Historically, trade unions arose as institutions in early industrial society, to temper and control the actions of employers. They sought to develop a social dimension to the labour market. In those early years, trade union organisation was banned, and worker leaders imprisoned. But the organisation of workers grew, in response to the extremes of child labour, long hours of work and low pay. So trade unionism has its roots in the campaigns for improved labour standards.

In the 20th century, two significant developments occurred which reshaped the debate about labour standards. First, workers in industrialised countries had gained political influence with the extension of voting rights to all adults. Second, in 1929 the Great Depression, caused by a major crisis in capitalism, led to a bigger and more active state. The state was initially engaged in the Second World War and thereafter, in Europe and America its role and size grew into the extension of welfare policies to the unem-

ployed and the electorate.

In this period, the state used active measures to macro-manage the economy, and to pursue the goal of full employment. This became known as the Keynesian economics, after a British economist, John Maynard Keynes. Fiscal policy was used to reduce the inequalities in the society, and to expand massively the services (previously private) such as health, education, housing and transport, which all citizens now had access to.

The trade union movement was seen as an essential agent for social justice on the shopfloor, and in the area of incomes. Labour standards were promoted and accepted as a fundamental part of democracy. All these new policies came about as a result of the struggles of working people through their trade unions and their labour parties.

The business community was generally opposed to these developments, but after the Second World War they accepted with great reluctance that a welfare state and an enfranchised electorate were basic requirements to stabilise the economic system, and to weaken attempts to replace it with an alternative system. It was a period of cold war between the Soviet Union and the western powers, and the establishment in the West was anxious not to allow the spread of socialism.

By the 1970's and 1980's, the

political terrain changed again. In 1973 there were a series of oil price shocks which hurt the industrial economies. And the threat of socialism had already started to recede by this time.

We then see a whole new set of policies which were advanced in these new conditions. The business community launched a systematic attack on the institution of the state, using the unpopularity of high taxes as the battering ram. They forced the privatising of sections of the state, and forced it to withdraw from social interventions, through the programme of deregulation. Tariff and financial market liberalisation were used to weaken the capacity of national governments to pursue social equity programmes. First, they called for tariff reductions and used the pressure of imports to try and keep wages down. They called for financial market liberalisation, and threatened to move capital offshore should government intervene in economic policy matters in favour of workers and the poor.

Financial market liberalisation was not driven by considerations of efficiency or growth - it was driven simply by the desire to give the owners of capital the capacity to move their money swiftly from one country to another.

Labour rights became a key battleground between those who sought to maximise their returns on investment and those who sought to spread the gains of economic activity in a fair way. Sections of business, and governments such as those of Margaret Thatcher and Ronald Reagan launched an attack on trade unions and wage policies. Everywhere economists called for trade union legislation to be changed and for labour standards to drop.

But, since the new terrain was one of liberalised financial markets and free trade, it no longer became necessary for investors to fight trade unions, on wages, centralised bargaining or hours of work. They could simply pull their money out of a particular country

The attack on labour rights was therefore merely one element of a far wider strategy to force a retreat from policies which have promoted equity and some degree of social solidarity in industrial societies

(negative market sentiment' they called it), in order to force democratically elected governments to fight unions on these issues.

The attack on labour rights was therefore merely one element of a far wider strategy to force a retreat from policies which have promoted equity and some degree of social solidarity in industrial societies. In democratic South Africa, these important historical and political developments now shape the debate about worker rights and labour standards. Here in our country, the South African Foundation has released a document which is called "Growth for All". Their proposals include the removal of exchange control, privatisation, cutting of state spending, deregulation and a reduced wage for all new people who enter the labour market. They argue this will create a million jobs over a three year period and will lead to economic growth of 4%. And in their fine print they say there should be no extension of the Industrial Council agreements and no minimum labour standards. They have particularly attacked the attempt to reform the BCEA.

What does this programme mean for organised labour, and how should we respond to the pressures of globalisation? As a union movement in South Africa

we have said the reality of the global economy requires greater solidarity. It means that if you accept that the economy is going to be more open, you must have stronger trade unions all over the world.

This is reflected in the social clause policies we have adopted, in international trade union co-operation we have often talked about, in the attempts to up international shop steward councils and in our focus on multinational corporations. However, there has not been a systematic campaign of building global solidarity.

In the local economy we have argued that we want efficiency not through deregulation, but through training and retraining. We have put forward proposals in a number of sectors. We are arguing for changes to work organisation to increase efficiencies. For one, technology has to be upgraded. Also, we have said the single biggest spur to economic growth in all economies is investment. High growth economies are high investment economies. We have argued for the gradual reduction of tariffs. We have said there is no need to reduce it faster than GATT requires. But we must have other measures in place. Our programme has been to look at active industrial policies such as training and retraining, work organisation, technology and so on.

We have argued for a social adjustment plan along the lines of the Social Plan Act, which says that as people become dislocated by restructuring, they are retrained for opportunities that exist and immediately absorbed into the economy. This has been our attempt to marry the need for change and restructuring with the objective of defending workers in the process of change.

What are some of the immediate programme elements around labour standards?

1. The Basic Conditions of Employment Act Green Paper is obviously a key part of our programme. Some of the issues included in the green paper pre-

pared by government are:

- decreasing working hours from 46 to 45 with a goal of a 40 hour working week.
- Four months maternity leave with job guarantees. However, it does not specifically address payment for women on maternity leave.
- Three days paid child care leave which is paternity leave for men. There is a proposal for women to take child care leave in the first year after the birth of a child.
- Increasing annual leave from the current two weeks to three weeks.
- Increasing overtime rate from Time and 1/3 to Time and 1/2.
- Four weeks notice period for terminations.
- Protection against child labour.
- Written particulars of employment

The scope of the new Act will cover all categories covered by the Labour Relations Act with a few exceptions. There are provisions in the green paper of how to police

and enforce the new standards which are proposed.

2. Labour needs to identify what ILO conventions we want our country to ratify. We are having a major debate at the moment on the ILO convention covering part time work. The business community is opposed to its ratification.
3. We need to look at the role and composition of the Wage Board and what labour's proposals are for changes in the Wage Board.
4. There are a number of major weaknesses in the Insolvency Act, relating to protecting both workers' employment, and their earnings. The government has accepted that we urgently need to review the Insolvency Act.
5. Labour needs to be more concrete about its programme to gain acceptance for the proposal to put the social clause in trade agreements, particularly given that the next Unctad Summit will be held in South Africa.
6. Procurement standards: we need

to explore the idea of using the State Tender Board to ensure tenders are only given to companies who recognise trade unions, who participate in centralised collective bargaining arrangements and who do not employ scab labour. There is no reason why we cannot put forward these proposals as part of the new procurement policy being developed. The Minister of Labour has said he will support the idea of using procurement policy to act against companies that employ scab labour. We must use this opportunity to negotiate an agreement on this matter.

7. Critically, we cannot accept that workers become displaced by, and bear the social and economic cost of economic restructuring. Change we must have, but it should take place with a proper social adjustment programme in place. Proposals have already been put forward by labour around the Social Plan Act, to deal with these issues.

8. The Public Works Standards is dealing with what labour standards, trade union rights and training standards will be applied in cases where we have public works programmes.

9. The final issue is that of public holidays. It has been suggested by the Department of Home Affairs that the number of holidays should be reduced. Labour needs to come out with a much more visible and public response than simply warning, through NEDLAC, that the process is unacceptable to us.

This has merely mapped out all the areas around labour standards that labour should urgently respond to. The main argument that we are putting forward is that we cannot just say we want a 40 hour week or we want ILO standards. The economic elites of our society - here and in many parts of the world - has tried to squeeze more and more from working people. And if we cannot combat the onslaught successfully we are not going to win the specific battles around the detailed labour standards we want to set. ○

LRA Training Programme

Because of the large numbers involved and the short time available, Cosatu's national education department has decided to provide a different educational event from the usual workshop. A series of 8 fifteen minute videos around the LRA is being produced, covering the following issues:

- grievances
- dismissals
- retrenchments
- strikes
- disputes
- workplace forums
- organisational issues
- gender issues

The shopstewards will be broken into smaller groups and attend 40 minute sessions consisting of the video followed by discussion around the particular issue. The groups will rotate from module to module. In addition, there will be a variety of educational media on display such as posters and handouts on specific issues.

This new method of education will be piloted with the Wits region in late June, with follow ups being done in other regions later on in the year. ○