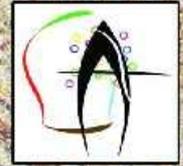




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**DRAFT VERSION  
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**Trade Unions and Crisis: The Employers' Revolt  
in Newcastle, KwaZulu-Natal**

*Björn Beckman  
Stockholm University*

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South Africa has recently been included in the “BRIC” (Brazil, Russia, India and China) group of emerging new economies. Has South Africa arrived? Has the neo-liberal world order been superseded? This paper argues that it is rather being busily reinforced. Cheap imports and massive unemployment cause the erosion of organisational rights. The paper looks at the debates over wage-setting in South Africa’s clothing industry in the face of the revolt of the Chinese Chamber of Commerce in Newcastle in KwaZulu-Natal, forming a break-away employers’ association. Tens of thousands of jobs will be lost, the new association says, if it is compelled to follow the agreement signed at the Bargaining Council between the main employers and the union. The paper argues that employers’ urge to ‘deregulate’ the labour market is at the core of the crisis, not only in South Africa’s clothing industry but in wage relations generally. It is also a blow to Africa’s industrialisation which presupposes protection. Africa’s de-industrialisation goes hand in hand with the dismantling of the collective rights that have been achieved by Africa’s fledgling working class.

As in much of Africa, trade unions have been a popular democratic force capable of influencing policies, despite the small size of the wage-earning population. In some cases unions have even been seen as a counterweight to neo-liberal domination. In South Africa trade unions played a central role in the struggle against apartheid and were rewarded after liberation with advanced pro-labour legislation. Post-liberation regimes have adjusted to neo-liberal globalisation and COSATU, the Congress of South African Trade Unions, although firmly allied to the government, has been sharply critical of its policies, demanding a “developmental state” under popular control. At the ANC conference in Polokwane (2006) COSATU was part of a coalition that ousted Mbeki and installed Zuma.

Ebrahim Patel, the General-Secretary of SACTWU, the Southern African Clothing and Textile Workers’ Union, was selected by Zuma as the minister for Economic Development. Before the crisis, Patel had worked for the consolidation of South Africa’s clothing and textile industry through energetic attempts to protect South African industry (“Buy South African”), banning illegal imports, and promoting high quality markets, both domestically and internationally. The government agreed to give special support because of assumed capacity of this industry to generate employment. In 2006 membership of the union had even expanded over the 2003 level to 120,000. The financial crisis of 2008, however, has accelerated the decline that was a dominant feature of developments since the 1980s.

Where will industrialisation come from? Much more than wage-rates are at stake in this conflict. The paper discusses why industry is a precondition for national development and the alternative avenues to industrial growth, including the low-wage, no-union model. It discusses why this model has worked in some countries and not in others and why it is unlikely to work in Africa.

The paper develops earlier work. A paper on SACTWU's trade policies was presented to CODESRIA's joint conference with the Globalization Studies Network in Dakar in 2005 ("Unions versus Free Trade: Trade Unions and Globalisation in South Africa's Clothing and Textiles Industry"), another, comparing developments in Nigeria and South Africa, was discussed at the Guy Mhone Memorial Conference organised by CODESRIA in Lusaka in 2008. The wider African context is discussed in B.Beckman, S.Buhlungu, L.Sachikonye eds. *Trade Unions and Party Politics: Labour Movements in Africa* (Cape Town: HSRC Press, 2010). The general argument on trade unions and neo-liberal globalisation was developed at a conference in Geneva in November 2009 on the 'Social and Political Dimensions of the Global Crisis' organised by UNRISD, the United Nations Research Institute for Social Development, and is available in a revised form (Beckman 2011). The present text, a preliminary draft, focuses on the Newcastle events in 2010-2011. The general conclusions will be elaborated in due course. They are now lifted from the UNRISD 2011 paper. When completed the paper will include sections on the development of South Africa's clothing industry and SACTWU. More attention will also be paid to the wider context of neo-liberal globalisation and the place of trade unions in developing an alternative.

### ***Newcastle: The Employers' Revolt***

The confrontation between SACTWU and the rebellious companies was spearheaded by the local Chinese Chamber of Commerce & Industry in Newcastle in up-state KwaZulu-Natal in mid-2010. The industry had inherited a dual structure from apartheid with low-wage areas classified as "non-metro", basically former "Bantustan" industries, that is, borderland industries controlled from adjacent white townships where blacks had been compelled to relocate, Madadeni in Newcastle's case, a source of cheap labour. The advances of the trade unions during apartheid had primarily taken place in the "metro" areas, that is, in the big cities. The exceptionally advanced labour legislation that was enforced after Independence reflected their aspirations.

However, the dual structure dragged on also after apartheid had been replaced with an ANC government in 1995. The continued gap between “metro” and “non-metro” areas was a major issue in the national congresses of the union that I attended in Cape Town and Durban in 2001 and 2004. Delegates who showed great frustration with the backwardness of the non-metro companies were only prevented from pushing for a more rapid equalization by a cautious union leadership. Companies in the Newcastle-Madadeni area were considered particularly backward, having been established during the final push for foreign investment in the apartheid system, largely drawing businessmen from Taiwan, another outcast in the international economy. They would typically bring with them a management style and a technology that were already marginalised or outdated at the Taiwanese end (Hart 2002). Newcastle employers acquired a particular notoriety as an expectant mother was forced to deliver inside a locked factory. The owners had decided to lock the doors in order to facilitate managerial control. The scandal precipitated a spate of visits by government factory inspectors and from the union.

The ‘Bargaining Council’ was central to the new institutions that the unions had been able to achieve under post-apartheid labour laws, allowing for central negotiations with major employers as organised in their own associations, in this case, the Apparel Manufacturers of South Africa (AMSA). It had agreed to cooperate with the union partly because of the balance of political forces in post-apartheid South Africa, partly because big companies sought to avoid competition from production based on cheap and unorganised labour. Once an agreement between capital and labour had been struck at the Bargaining Council it was given legislative support by the government, becoming the law of the land. Council staff monitored compliance. It could prevent a non-compliant company from operating.

In mid-2010, the Chinese Chamber of Commerce in Newcastle, whose members had been paying non-metro wages, faced the imminent threat of the Bargaining Council enforcing a national minimum wage for clothing workers. It was emboldened to revolt by the financial crisis and in particular by the decline in employment suffered since the middle of the decade as a result of a sharp rise in imported goods, especially from China. Why would the clothing Bargaining Council, it argued, impose a hike in minimum wages that would kill off employment and compel companies to either fold up or to leave South Africa, especially at time when the government was desperately trying to protect employment? According to Barrie Terblanche in the *Business Day* (2011-01-25) “only a miracle will stop Sactwu’s suicidal

trajectory”, a majority of companies being unable to comply. SACTWU, according to the writer, was “probably the most inflexible union in the country”. The industry had already been halved and would now be halved again!

Ebrahim Patel, a former General Secretary of SACTWU, now a Minister for Economic Development in the Zuma Government, intervened and the Bargaining Council agreed that the implementation of the new minimum wage would have to be phased, 70 per cent to be achieved by end of March 2011 and 100 per cent only by the end of the year 2011. The respite was not enough to satisfy the rebellious employers. Even the 70 per cent, they claimed, was far beyond their means and would result in widespread factory closures. The Bargaining Council, they claimed, was in no position to represent the companies in the non-metro areas, like Newcastle. The agitation was led by Alex Liu, the chairman of the Newcastle Chamber. A new association was set up, the United Clothing and Textile Association (UCTA), claiming to represent more than 300 aggrieved employers that in turn were said to employ more than 28,000 workers (Independent Online 2011-02-24).

Johann Baard, the Executive Director of AMSA, the association of the main clothing employers and party to the agreement in the Bargaining Council, had developed cold feet, claiming that it had only signed the phased agreement because of the insistence of the union, welcoming a more flexible arrangement. “Non-compliance”, he said, demonstrated that “the industry wage model has been overtaken by competitive global market relations” (Claire Bisseker, FM/Financial Mail 2011-03-17). The ANC government itself began to waiver. The Minister of Finance, Pravin Gordhan, declared ominously in mid-August 2011 that the South African “labour dispensation” may have to be changed, taking Newcastle as a case in point. A balance had to be found, he reportedly said, between the need of retaining jobs in the clothing factories of Newcastle and “allowing workers to earn a reasonable wage and keeping the factories open”.

The union, however, stuck to its guns and insisted that the agreement in the Bargaining Council should be implemented, rebuking the Minister of Finance. It was not a question of “one size fits all”, said Andre Kriel, the General Secretary of SACTWU. The Minister had failed to take into account that the union had already agreed to a flexible wage structure where the starting rates for machinists, for example, varied with local conditions. In Newcastle the lowest rate was applied (SACTWU 2011-08-16).

For a worker's family it was hard to subsist on the new minimum and the Newcastle bosses paid even less, some much less. Chris Gina, SACTWU's National Organising Secretary, specified the high costs of being a clothing worker in Newcastle, including transport, electricity, rent, not to speak of food and groceries, bread, pap, flour, rice, potatoes, beans, sugar, cooking oil, washing powder, soap. Costs were even higher if other items were to be included, such as vegetables, onions, tea, coffee, milk, crèche, airtime, children's transport to school etc. How could workers possibly survive on the sharply reduced wage proposed by the Newcastle employers, Chris Gina asks. It is true, he says, that some workers say that "something is better than nothing" and that workers fear losing their jobs. Their desperation is "paraded as validation for subjecting them to poverty wages" (Business Report, August 2011, Vlok 2011-09-17).

The leadership of the union insisted that it was possible to raise wages while preventing closures by improving productivity, including work organisation, skill levels, machinery, quality and delivery times as outlined in the "Customised Sector Programme" that had been agreed with both government and employers. For South Africa, Chris Gina argued, was not an option to participate in the "race to the bottom". In Bangladesh, for instance, the weekly wage of a clothing worker was only a fraction of what was obtained in South Africa. "But we can win", Chris Gina says, if we develop the industry in line with the Sector Programme (Business Report, August 2011, Vlok 2011-09-17).

Towards the end of August 2011, SACTWU organised a march of clothing workers in Newcastle, demonstrating its strength and commitment, handing over memoranda to the Newcastle Chinese Chamber of Commerce & Industry as well as to the National Bargaining Council for the Clothing Manufacturing Industry. The union called on all Newcastle clothing factories to be part of the phase-in programme of the Bargaining Council and the employers' would have to "stop claiming that workers are prepared to accept poverty wages and to stop pretending that workers support their non-compliance with the laws of South Africa". It called on the Bargaining Council to ensure that the Newcastle employers "pay the legal minimum wage, maternity leave and overtime" (SACTWU 2011-08-26). Other unions joined in the march, urged by COSATU's regional body in KwaZulu-Natal: "Clearly as long there are employers like those in Newcastle the country will continue to lead the world in poverty, income inequalities and unemployment" (COSATU 2011-08-25).

SACTWU had full COSATU support. In addressing its National Bargaining Conference in Durban in March, Zwelinzima Vavi, COSATU's General Secretary, spoke of the bosses as "ranting about 'inflexible' labour laws and the unions' stranglehold on the labour market". Many, he said, want to pay the 'market' rate of wages rather than "sit down and negotiate in bargaining councils". They blackmail the workers: "if you don't want to work for what we are offering, there are thousands others out there desperate for a job at any price". "Trade unions can never submit to this kind of blackmail". He singled out the Newcastle Chinese Chamber of Commerce & Industry as particularly stubborn, continuing to disrespect South Africa's labour laws, paying workers much below the legally prescribed minimum. No wonder that SACTWU had given it its "Worst Employer Award" for 2010 (COSATU 2011-03-04).

***Conclusions: Trade union resistance and neo-liberal globalisation***

Employers everywhere try to use the global financial crisis to push back the achievements of labour and its influence over public institutions. Simultaneously, unions are on the rise and experiences in South Africa are reinforced by the rise in organizational capacity of workers elsewhere. It is a global shift, reflecting the changing location of production. It is not a new phenomenon (see, e.g. Hall-Jones 2007), but it is accentuated by the current global crisis. There is a dramatic shift in the location of the wage-earning population globally. This is not just about the rise of major exporters as such as in China and India, but relates to a wide range of countries in Asia and Latin America. In some instances, like in China, trade unions are constrained by a repressive party-state, while in India the labour movement is weakened by a multiplicity of party-related unions and segmented work-place relations where only small minorities are allowed to unionize. The dramatic growth in work-place unrest, however, despite official state and party control, suggests a transitional phase where new forms of labour organization are likely to emerge.

The centre of global union power is shifting and the process is accelerated by the current global crisis. The crisis reinforces anti-union tendencies globally but it also prompts fresh resistance and expectations of union-led alternative development paths. Not surprisingly, the most notable advances in building union rights are made in countries that historically had less waged employment or where rights have been severely repressed. Major advances have been made in unionization in the face of fierce resistance from state and capital in countries like South Korea and Brazil.

Unions in the advanced countries continue to struggle for survival in the face of the anti-union offensive that followed the 'neo-liberal turn', and that is reinforced by the current global crisis. Higher levels of unemployment are accompanied by more individualization of work tasks and greater flexibility in employment relations. The ability of unions in the North to defend their rights depends on effective alliances with the new centres of union power in the South. Only a truly global union movement that reflects the shift in the global working class will be able to impress on governments and companies that union rights have to be universally recognised and respected. It is bound to lead to a shift in the leadership of the international labour movement.

Experiences in South Africa, especially when situated in a context of a shifting balance of forces globally, suggest that trade unions provide an alternative to the neo-liberal world order, including an alternative route out of the current crisis. Apart from advancing and protecting democratic rights, they have a self-interest in modernization as manifested in the growth of formal wage-employment.

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