

**Youth wage subsidy in South Africa:  
A life jacket approach to a structural problem**

**Boitumelo James Malope**

**Supervised by: Prof. Andries Bezuidenhout**

**and**

**Prof. Sakhela Buhlungu**

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## Declaration

I Boitumelo James Malope declare that this dissertation is my own unaided original work. Where secondary material has been used (either from printed sources or the internet), this has been acknowledged and referenced in accordance with the requirements of the Department of Sociology, Faculty of Humanities. It is submitted for the degree of Master of Social Sciences (Industrial Sociology and Labour Studies) in the University of Pretoria. It has not been submitted before for any other degree or examination in any other university, nor has it been prepared under the auspices or assistance of any body, organisation or person outside of the University of Pretoria.

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Boitumelo J Malope

----- Day of-----2016

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## Abstract

Youth unemployment in South Africa is a powder keg, and the discontent felt by youths as a result of joblessness could prove to be the spark that sets it off. The discourse around high unemployment has been about what to do about it, and one suggestion proposed is a youth wage subsidy. This study draws on an analysis of public discourse on the youth wage subsidy to assess how the policy is construed and justified within the public domain. In support of a youth wage subsidy, the Democratic Alliance (DA) argues that the labour market in the country is inflexible, and a wage subsidy is one of the tools which will prove to overcome this obstacle. Congress of South African Trade Unions (COSATU) on the other hand has been in opposition to a youth wage subsidy arguing that the labour market is already flexible and should be regulated. This study draws on documents to analyse the discourse at a national level, and at a provincial level it draws on a case of the Western Cape called the Work and Skills Programme (W & SP). Theoretical, the study draws inspiration from and is influenced by the work of Jamie Peck as well as the notion of decent work. Against the backdrop of the changing nature of work from typical to atypical, this study challenges the argument that “high wages” and labour market inflexibility are the main causes of unemployment. This study argues that the “high wage” argument advanced by business is a proxy argument for a skills development crisis of which employers are unwilling to shoulder some of the responsibility. The challenge for business is a balance between production and skills development, the former is a priority and the latter a secondary issue. A youth wage subsidy therefore symbolically represents a life jacket to be used to reach the employment boat. The central argument advanced is, in the absence of structural change and reform a youth wage subsidy will remain an ineffective life jacket. Moreover, this study argues that drastic deviation outside the Decent Work Agenda in the name of flexibility without adequate social security net could exacerbate poverty and inequality which are linked to unemployment.

## Acronyms and Abbreviations

AsgiSA	Accelerated and Shared Growth Initiative South Africa
ANC	African National Congress
BCEA	Basic Conditions of Employment Act
CBD	Central Business District
CDA	Critical Discourse Analysis
COSATU	Congress of South African Trade Unions
DA	Democratic Alliance
DEDAT	Department of Economic Development and Tourism
EPWP	Extended Public Works Programme
ETCP	Employment Tax Credit Program
ETI	Employment Tax Incentive
FET	Further Education Training
GATT	General Agreement on Tariffs and Trade
GEAR	Growth Employment and Redistribution
QLFS	Quarterly Labour Force Survey
HR	Human Resource
ILO	International Labour Organisation

ISP	Industrial Strategy Project
LMC	Labour Market Commission
LRA	Labour Relations Act
MERG	Macro Economic Research Group
MTBPS	Medium Term Budget Policy Statement
MEC	Member of Executive Committee
NBC	National Bargaining Council for the Clothing Manufacturing Industry
NDP	National Development Plan
NEDLAC	National Economic Development and Labour Council
NIEP	National Institute for Economic Policy
NJTC	New Jobs Tax Credit
NUMSA	National Union of Metalworkers of South Africa
NGP	New Growth Path
NEET	Not Employed, Education or Training
PAY	Premier's Advancement of Youth Project
PPE	Protective Personnel Equipment
RDP	Reconstruction and Development Programme
SETA	Sectoral Education and Training Authorities
SMT	Service Mount Technology

SACTWU	South African Clothing and Textile Workers Union
SACP	South African Communist Party
SAF	South African Foundation
StatsSA	Statistics South Africa
TJTC	Targeted Jobs Tax Credit
TVET	Technical and Vocational Education Training
UIF	Unemployment Insurance Fund
UK	United Kingdom
UN	United Nations
W&R	Wholesale and Retail
W & SP	Work and Skills Programme
WTO	World Trade Organisation

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# Chapter 1

## Youth Unemployment Must Fall

### 1.1 Introduction

“This year [2014], one million South Africans will celebrate their twentieth birthday. These are the first of our sons and daughters to have breathed only the clean air of a new nation. These children of our freedom mark the progress we have made. In their diversity; in their dynamism and their enthusiasm; in their non-racialism and in the determination with which they demand the rights of free citizens; in their optimism and fearlessness; in all this they represent the hope that millions struggled for, and for which so many paid the ultimate price. They are a generation whose future is brighter than their parents could have dreamed. They are better educated, better nourished, stronger and more resilient. But they also bear the burden of the challenges we have yet to resolve. Too many will struggle to find work. Too many live in poverty and want. Like their parents they can see the fault-lines that still divide our society. They can see the gap between rich and poor. For their future, we have an obligation to begin a new and far-reaching phase of our democratic transition; a phase that calls for bold and decisive steps to place the economy on a qualitatively different path” (Pravin Gordhan 2014 budget speech).

South Africa is in a socioeconomic cul-de-sac and it has limited avenues to pursue in order to get out of the cul-de-sac. The country has to tackle three interlinked socioeconomic challenges; unemployment, inequality, and poverty, in a context of corruption, neoliberalism, apartheid redress and democratic consolidation. Getting out of the cul-de-sac will require lateral thinking, decisive action, political will and bold leadership. The backdrop of these challenges is insufficient economic growth and deadlock over economic policy. Though socioeconomic challenges facing South Africa are interlinked, the focus of this study will largely be on unemployment, in particular youth unemployment and some of the solutions that are in place to remedy the problem.

Solutions to unemployment in South Africa derive inspiration from global solutions which all lean to orthodox prescriptions like a youth wage subsidy, or some form of incentive scheme in the short to medium term. These proposed solutions have resulted in a robust, often dramatic discourse extending to the streets of Johannesburg. In the discourse, two diametrically opposed positions have emerged; Democratic Alliance (DA) and National Treasury support a wage subsidy or incentive scheme, and Congress of South African Trade Union (COSATU) in opposition of either of the solutions. To understand COSATU's contention, you have to go back to the DA and National Treasury's understanding and analysis of the labour market. The basic argument that the DA has explicitly stated is that the "labour market, like any other, reaches an equilibrium based on the supply of, and demand for, labour" (DA 2010:3). The assumption is, left to its own a freely competitive capitalist labour market reaches full employment, insinuating that unemployment is the product of various frictions, imperfections, or government interference. The DA (2010) also identifies high non-wage cost involved in hiring workers as one of many contributors for high levels of unemployment. To circumvent these imperfections they want a youth wage subsidy to be implemented, and apart from the high non-wage costs involved the DA also identifies an inflexible labour market and legislation (which creates high costs and inefficiencies) as obstacles to addressing youth unemployment.

COSATU (2012) argues that the theoretical framework that the DA and National Treasury draws on in support of the youth wage subsidy is grounded in international studies which ignore local context, and as a result, the policy does not grapple with the country's socioeconomic peculiarities which are historical. The labour federation instead argues that the subsidy will lead to deadweight losses and substitution effect. The former means the subsidy will create jobs that would have been created without it even being in place. By referring to research conducted by the ILO, COSATU (2012) shows that in other countries deadweight losses were estimated to be between 70-90%. However, the "National Treasury puts the deadweight loss alone to be 58%, i.e. 58% of the promised jobs from the subsidy would have been created without the subsidy"

(COSATU 2012:1). The substitution effect refers to firms letting go of the existing workforce for the subsidised young ones. The federation argues that substitution will be most felt in jobs that are unskilled and semi-skilled. Furthermore, COSATU argues that the subsidy “does not guarantee that training and skills development will take place in the workplace, this will lead to a recycling of young people without any meaningful training” (COSATU 2012:2).

Moreover, the federation does not agree with the underlying assumption that there is a causal link between entry-level wages and productivity amongst young workers or that wages are an impediment to job creation. In fact, they are of the opinion that younger workers are paid 77% of their productivity (COSATU 2012). Finally, with no explicit mention of the Decent Work Agenda but with language pregnant with its tenets, COSATU is of the view that a wage subsidy will undermine the notion of decent work. Decent Work Agenda was launched at the 87th International Labour Conference, in 1999, and it is conceptually centered on four strategic pillars namely; employment, social protection, workers’ rights and social dialogue. The federation argues that wage subsidy would create a three tier labour market, with the last tier being occupied by the youth who will be super exploited by employers (DA 2010). Based on the above arguments, COSATU has opposed the youth wage subsidy until concerns are addressed by the National Treasury and policy planners.

The DA treats concerns raised by COSATU as ideological, and in some cases side-steps them. COSATU has in turn used its presence in National Economic Development and Labour Council (NEDLAC)<sup>1</sup> to halt the implementation of the youth wage subsidy until their concerns are addressed. The presence of COSATU in NEDLAC means the

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<sup>1</sup> An institution set up by the democratic government for business, labour, civil society representatives and government to discuss policy proposal and iron out differences before being brought forward to parliament

federation is involved in policy discussion and their concerns ought to be considered and addressed. In NEDLAC, the youth wage subsidy was held up for at least 3 years and was eventually passed by parliament on the 31 October 2013 with no visible resistance from COSATU. The youth wage subsidy was implemented when COSATU was dealing with its own internal squabbles, its Secretary General was at the time on suspension for sexual indiscretions. Additionally, the controversial E- tolls were also passed in the wake of the federation's weak state.

On the 1 January 2014 the youth wage subsidy was implemented and came into effect under the name Employment Tax Incentive (ETI). The implementation of the youth wage subsidy was a culmination of relentless pressure from the DA on the government and federation. The pressure from the DA was displayed on the 15 May 2012 when the party embarked on a march to COSATU House in Braamfontein, Johannesburg to protest against COSATU's opposition to the implementation of the youth wage subsidy. According to the DA's calculations and estimates, by blocking the implementation of the youth wage subsidy COSATU was stopping a potential 400 000 new jobs (Nhlabathi, Moeketse & Mdletshe 2012).

While the discourse and negotiations on the youth wage subsidy were taking place in NEDLAC, the DA was in search of empirical evidence which would strengthen their argument for the implementation of the youth wage subsidy nationally. Way before the May 2012 march to COSATU House, in 2009, the Western Cape, a DA led provincial government implemented a version of a youth wage subsidy called Work and Skills Programme (W & SP). The programme functions like a youth wage subsidy and has been in operations since 2009, coincidentally a year after the DA took total control of the province from the African National Congress (ANC). The W & SP programme together with the national discourse on labour market policy are the focus of this study.



## 1.2 Rationale

That youth unemployment is currently at crisis levels is no longer a debate. Contention is on the proposed solution, that is, the youth wage subsidy and its potential negative or positive effects on employment levels. A wage subsidy in South Africa was initially proposed by Levinsohn (2008) in a capacity as the International Growth Advisory Panel also known as the Harvard Group. The National Treasury and the DA largely borrow from the work of Levinsohn which looks at international case studies where wage subsidy or variations of subsidies and schemes have been experimented with. An umbrella term used to describe any form of incentive scheme to boost employment is Active Labour Market Policy (ALMP), and a youth wage subsidy is one such instrument since it involves a transfer of public money “linked to some form of activity (usually subsidized work experience or training) with the aim of helping jobseekers obtain gainful employment” (O’Higgins 2001:109).

There are two types of ALMP policies which are most commonly used, policies “that promote wage employment, generally through a combination of subsidised work placement and vocational training” on the one hand (O’Higgins 2001:109). And policies “that encourage young people to become self-employed, usually involving a combination of training in business methods, facilitated access to credit or grants and access to work space” on the other hand (O’Higgins 2001:109). A youth wage subsidy seeks to achieve one or two objectives, promote employment when labour is underutilised or underemployed, or increase participation in the labour market with the aim of reducing cost to employers and/or employees (Burns, Edwards & Pauw, 2010). Whichever objective is aimed at being achieved, economists use one of two approaches to study and determine the effects of youth wage subsidy in the labour market.

The first approach makes inferences based on estimates of the elasticity of labour demand, that is, to analyse the “labor demand elasticity estimates give a measure of the

expected percentage change in employment given a percentage change in labor costs” (Betcherman, Daysal & Pagés 2010:711). If the incentive is on the employee’s side workers will benefit and demand for labour will not change. However, if the incentive is reversed, that is, be on the employer’s side, demand for labour will increase and the cost of it will be lower.

The second approach seeks to directly asses and evaluate the effects of programs that are already in place. When it comes to this approach “most studies examine the effect of programs targeted to the unemployed or disadvantaged workers and in many cases, estimates of effects are based on surveys to employers” (Betcherman, Daysal & Pagés 2010: 712). Studies used by the National Treasury and the DA to argue for a youth wage subsidy use both approaches to study and evaluate the effects of the subsidy but they lean towards the first; (see Katz (1998) on Targeted Jobs Tax Credit (TJTC) in the U.S; Van Reenen (2003) on the “New Deal” in the UK; Richardson (1998) on the Special Youth Employment Training Program (SYETP) in Australia; Burns et al (2010) in South African on Computable General Equilibrium (CGE) simulations).

The two above mentioned approaches are quantitative in orientation and the youth wage subsidy discourse in South Africa can be seen as an attempt at evaluating the impact or effects of the scheme without one being in operation. The discourse in South Africa has been centered on the *substitution effects*- how many older workers will be replaced by subsidised ones, or, *deadweight losses*-how many jobs would have been created without the subsidy not being in place. And in relation to skills development in the workplace, does the subsidy guarantee training, if not, will this lead to recycling of young employees without training when the subsidy ends. For COSATU, the fear is that a youth wage subsidy will not address the Decent Work Agenda therefore it has the potential to erode its membership base. The DA views the subsidy as one step closer to making the labour market flexible labour and arresting unemployment.

Studies and research used and mentioned by the DA, National Treasury and critiqued by COSATU have two serious weaknesses. First, as flagged by COSATU, the literature lacks local context since a lot of the case studies used are based on Organisation for Economic Co-operation and Development countries (OECD) which are industrialised or developed. With the exception of Finn and Ranchhod (2014 & 2015) work on the impact or effect of a youth wage subsidy on the South Africa labour market, empirically, little is known. Using a quantitative approach of difference-in-differences, Finn and Ranchhod (2014) study finds that the ETI in South Africa did not have any statistically significant and positive effects on youth employment probabilities.

Second, the bulk of the literature takes a quantitative approach to evaluate or study the effectiveness and success of the subsidy programmes using employer's surveys. This approach reduce subsidy effects to an equation and a box ticking exercise (how many jobs can be/were created or lost) and hardly interrogate the qualitative dimension of the subsidy on aspects such as remuneration, health and safety conditions, social protection, basic workers' rights and social dialogue. Though quantitative approaches contribute to our understanding of the unemployment problem, the approach is thin as it does not reveal what we need to know in order to come up with better solutions. The gap and shortfall in the literature on youth wage subsidy resulting in the two above mentioned weaknesses is what my study wants to address. Thus, my approach is qualitative and the programme analysed is in operation.

My study interrogates the pillars of Decent Work Agenda which involve the body, a human. Apart from Sociologists, most work conducted by economists on employment reduces the human to a number, a statistic, which can be manipulated by supply and demand forces based on some probabilities. The literature to quote Achille Mbembe (2015) does not asks "questions about who we are, what we should be or become and

what we should or should not do as people”. By reducing a human to a number which is inserted in a supply and demand equation, discourse on youth unemployment and youth wage subsidy has been framed around the language of labour market flexibility. In a South African context, this framing is a red herring since it side-steps the economic cul-de-sac which has a historical context. My study seeks to contribute towards the qualitative aspect of the wage subsidy by engaging with the different actors in the labour market discourse at a national and provincial level with the aim of giving the subsidy scheme a human face and not a balancing equation or number crunching exercise.

### **1.3 Objective of the study**

The objective of this study is to engage the debate on youth unemployment discourse nationally, and evaluate the Work and Skills Programme (W& SP) in the Western Cape. In other words, the study seeks to critically assess the W &SP in relation to the Decent Work agenda and engage the broader national discourse. The introduction of the Decent Work Agenda in the discourse hopes to add a qualitative element in an already quantitative landscape. Furthermore, the objective of this study is to critically discuss the implications of the W &SP for future debates on regulation and flexibility debates in South Africa insofar as progressively realising the Decent Work Agenda. Put differently, this study engages the discourse at a national level on the one hand, and situates it provincially through the W &SP on the other hand and brings back the implications of the findings at a national level for future debates.

### **1.4 Research question**

Emanating from the rational and above research objective the research question this study seeks to address is:

Does the Work and Skills Programme address the Decent Work Agenda, and what are its implications for debates on flexibility and regulation in South Africa?

## 1.5 Chapter outline

Peck's analytical framework on the social regulation of labour markets will be used in chapter two to critique and counter orthodox neoclassical economic assumption which posits that labour markets are regulated by supply and demand forces. Chapter two will show that historically labour has been a subject of regulatory dilemmas and contradiction, more importantly that labour is a pseudo-commodity. Moreover, together with the historical overview highlighting different stages and regimes of capitalism chapter two will show how the evolution of labour market regulation unfolded with the development of capitalism. Chapter two also reviews some of the ALMP programmes. The chapter will show that ALMP programmes that have been experimented with in the last three decades have largely been a life jacket. Where programmes were successful, they were as a result of comprehensive supply side orientated approach as opposed to demand orientated programmes.

In line with the study's qualitative orientation, chapter three will discuss the qualitative research methods of interviews and discourse analysis which were employed and the reasons why the methods were chosen. Due to the scope of the study, a case is made for a case study method in conjunction with secondary public documents as additional sources of data. The dynamics which were at play in the selection and sampling techniques will be implicitly linked to Peck's Social regulation theoretical framework and the Decent Work Agenda. Ethical issues and challenges faced in this study also receive attention in chapter three.

The first findings chapter is chapter four. Through discourse analysis, the chapter historically plots the debate on labour market flexibility and regulation in South Africa at a national level starting from the transitional period before 1994. Prior to this period, labour market regulation in South Africa was one dimensional and found expression in the migrant labour system. Chapter four will tease out the consequences and contradictions of the language of flexibility on the labour market which have profoundly impacted policy debates in the country but ignored historical context. Chapter four will show that the labour market in South Africa is a politically motivated structure of conflict and interest between organised labour, business and government. Chapter four will show that liberalising the economy benefited capital, however, this was at odds with the social and labour market policy objective of the country in 1994. It is within this context of dislocation between social and economic policy that I argue that for any employment programme to be effective in addressing the unemployment problem, industrial, economic and social policies ought to be synchronized and coherent. This invariably necessitates structural reforms in the economy.

Chapter five is the second findings chapter. This chapter introduces and engages the W & SP by using Peck's Social regulation theoretical framework with two case studies as narratives. Chapter five argues that in an event that business and organised labour "reconcile", the implementation of a youth wage subsidy is a symbolic gesture because it does not address weaknesses emanating from economic, industrial and social policy mismatch which have had a profound impact on the labour market. Chapter five will show that in the absence of structural reform and a flexible labour market in place, the main beneficiaries of a demand orientated programme like a wage subsidy are temporary employment service providers, commonly referred to as labour brokers. Based on the finding, the argument I advance in chapter five is that a lack of skills development and training contribute to unemployment. However due to the way the discourse is framed nationally, wages are used as a proxy argument to side-step a skills development and training challenge.

Chapter six engages the Decent Work Agenda, consequently, the chapter addresses the research question: Does the Work and Skills Programme address the decent work agenda and what are its implications for debates on flexibility and regulation in South Africa? Chapter six will stress the argument that the causes or contributors of unemployment are not “high wages” or labour law rigidity, but skills. In response to a skills crisis, chapter six will show that employers will either train employees they cannot do without, or use temporary employment services. Whichever options is the cheapest. All arguments considered, the main argument is that a youth wage subsidy is a symbolic gesture-a life jacket which will remain ineffective in the absence of structural changes. Chapter seven concludes the study and provides a summary of key arguments.

### **1.5.1 Research scope**

The present study had limitations in that it had time constraints and limited financial resources. Consequently, two manufacturing factories in the Western Cape were visited and studied. The choice of the Western Cape is simple, the province is governed by the official opposition party, the DA, and it has in place some form of a youth wage subsidy that no other province had at the time of the study. One case which deserves a mention is an experiment which involved stakeholders in the clothing manufacturing sector lowering the minimum wage of new employees by 30% and monitoring its effects in relation to job creation over a period of five years. This was in response to cheap Chinese imports which were resulting in employment decline in the sector (South African Chamber of Commerce and Industry 2011). This experiment was unsustainable and ineffective.

Since two cases are used in this study, it does not follow then that universal generalisations claims are made. The cases as narratives do however try to develop moderatum generalisations- where certain instances in a specific case studied are visible in other cases as a result of similar structural conditions (Williams 2002). This work then looks at the two cases of similar structural conditions and evaluates their implication nationally. The next chapter is a critique of orthodox neoclassical economic assumption, and it is inspired by Peck's analytical framework on how labour markets are socially constructed.



## Chapter 2

### Labour Market Regulation: Developments, Stability, and Crisis

#### 2.1 Introduction

Delivering a speech in Colorado on August 1963 which was advocating for more spending on infrastructure programmes, John F. Kennedy argued that “A rising tide lifts all boats.” In other words, in difficult economic conditions more spending by the State will stimulate aggregate demand and this will be to the benefit of everybody. By highlighting the role the State played in shaping the economy and labour markets, this chapter will critique and challenge the neoclassical economic assumption that labour markets are regulated by supply and demand forces like any other markets and that “a rising tide lifts all boats.” Using Max Weber’s definition, by the State I mean a human community that claims the monopoly of legitimate use of physical force within a given territory. By government I mean a political party that is in control of State apparatus, from here on, State and government will be used interchangeably unless specified otherwise.

This chapter is divided into three sections, the first section will introduce Peck’s framework on labour market regulation. The section will show that labour market regulations which came with the New Deal and ended with the “Golden Age of Capitalism” were instituted long before the emergence of high unemployment rate of the last three decades (1980-2010). Ironically, it is during the last three decades that we witness a roll back of labour regulations and the weakening of trade unions, an increase in income inequality, wages remaining stagnant, and an increase in profits for Capital (Peck 1996; Piketty 2014; Mishel 2012). Borrowing from Thomas Piketty, by capital I mean shares of stock, property, cash assets that people own or inherit. From here on

capital and business, like State and government will be used interchangeably unless stated otherwise.

The second section will show that in industrialised developed countries, a rising tide lifted all boats because the State was at the centre of development and driving demand in the economy with the help of capital during the “Golden Age of Capitalism”. However, since the financialisation of the global economy and subsequent removal of the State from the centre of development, the boats of poverty, inequality and unemployment are getting heavier with each passing decade. The reason why the unemployment boat is getting heavy is in part due to a failure in analysis of the labour market. A failure in analysis led to poor diagnosis and has resulted in ineffective prescription. The second section will show how economic and social policy in South Africa was racially organised and the impact on the labour market.

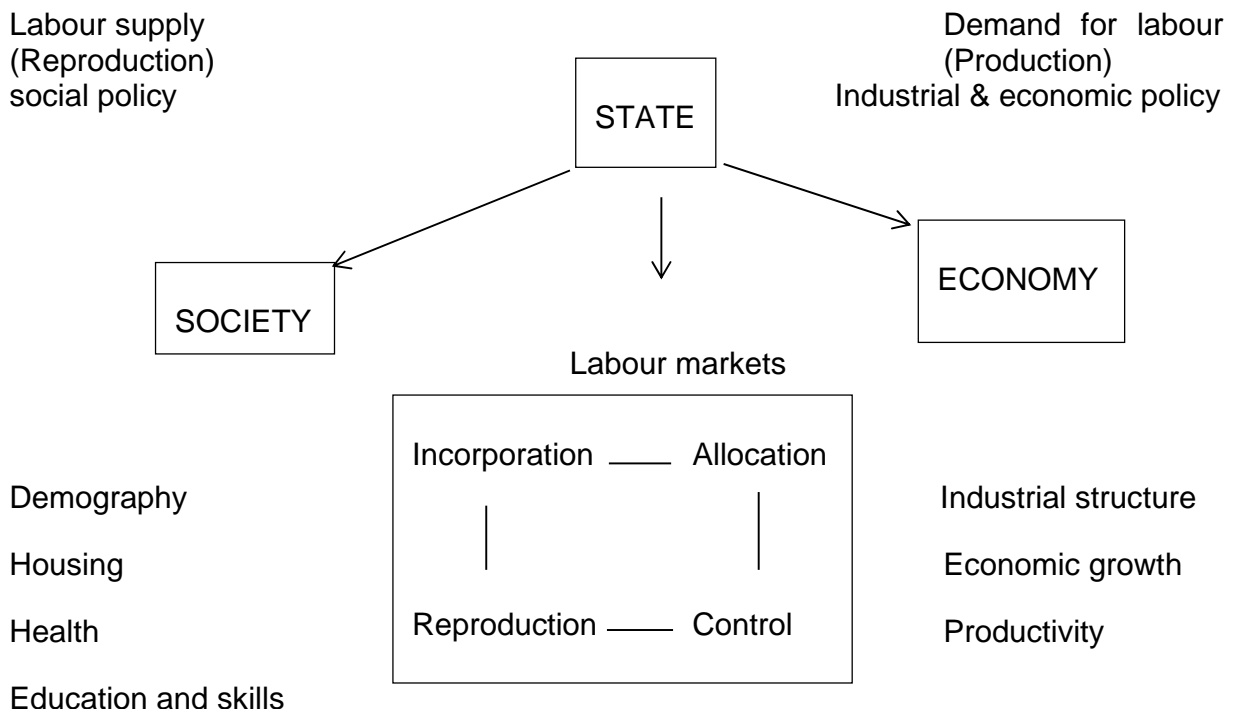
The last section will look at some of the ALMP programmes which have been put in place to address unemployment in developed and developing countries. Whereas government approach to dealing with unemployment and inequality during the “Golden Age of Capitalism” was wholesome, by using wage subsidy programmes, this chapter argues the current approach is crisis management orientated and a life jacket approach. We are now at the first section and we will look at how labour markets are socially regulated.

## **2.2 Social regulation of Labour Markets**

From the beginning of the 1970s “in most of the leading capitalists countries, unemployment has risen inexorably, real wage growth has slowed, and labour market inequalities have widened” (Peck 1996:1). A number of scapegoats have been presented; government regulation, unions, the welfare state programmes, but ultimately,

the word '*rigidity*' captures this crisis. The failure of the market is seen "having occurred in the market, not because of the market" (Peck 1996:2). In response to this failure orthodox prescription has been to deregulate the labour market so that its functions like any commodity market regulated by forces of supply and demand. A counter argument to orthodox neoclassical economics dogma on how labour markets are regulated is expressed in Figure 2.1 below. The figure below show how the labour markets are socially regulated by three dimensions; supply, the state, and demand.

**Figure 2.1: Socially regulated labour markets**



Source: Generated from Bezuidenhout & Kenny 2000

The first dimension of labour regulation is the social supply-side or reproduction. The second dimension is the economic demand-side or production and, the third dimension is State regulation (Bezuidenhout & Kenny 2000:3). All factors which influence the source of labour in terms of quality and quantity fall under the supply side, and they include; household arrangements, social division of labour, gender, race, ethnicity,

schooling system, and occupational socialisation. The demand-side factors the availability of jobs in the economy, aspects of employment relations structures, labour laws, labour processes, and labour control strategies (Bezuidenhout & Kenny 2000:3). Supply and demand sides are to a large extent managed and influenced by the third dimension, the State. The State provides regulatory framework and policies which influences everything from education, innovation, training systems, social security provisions, immigration policy, industrial relations, and this has been the case since the Industrial Revolution. Labour markets then, are categorised by relative skill levels, wage levels and job security, and by integration into the labour process and forms of control over it (Bezuidenhout & Kenny 2000:3; Peck 1996).

Peck (1996) argues that problems of the labour market are as a result of analysis of how the labour market function-“contrary to the ideal, real-world labour markets are not like commodity markets: prices do not coordinate supply and demand, participants do not enter the market as equals, and commodities do not pass in the absolute sense of legal ownership-from seller to buyer” (1996:2). Drawing on Karl Marx and Karl Polanyi’s work, Peck advances a nuanced conception of how labour markets are socially regulated. His point of departure is on the response to the failure in the labour market and the urge to deregulate and make it flexible. He highlights distinct differences in the distribution of unemployment rates amongst the youth, disabled, minorities and adults, and argues that labour regulation is imperfect, and that participants are not equal or homogenous.

Moreover, he questions how individuals of equal human capital can have different exposure to labour market risks. Therefore, to understand how labour markets operate Peck suggests a fundamental break with neoclassical theory. This requires shifting our conception of labour from being a commodity in a traditional sense, to a pseudo-commodity which is reproduced. Polanyi (1944) argues that to analyse the labour market like a commodities market, orthodox economists dislocate the social

embeddedness of labour. Due to the human quality and social embeddedness of labour, Peck (1989; 1996) argues that labour markets are not regulated by price mechanism but rather they are socially regulated and locally constituted.

In a commodities market like gold or cellphones, the production of these items hinges on their saleability in the market. In a case of gold, the price is affected by the United States of America's (USA) interest rate, or the price of the US dollar- this was not always the case. The production and subsequently the supply of certain commodities can be (and have been) manipulated to control their prices in the market (Rickards 2014). Labour on the other hand, does not possess these characteristics, it does not wait for the right conditions in the market, it sometimes enters the market underdeveloped. For example, unlike other commodities, labour cannot 'wait' outside the market for perfect conditions it is often "thrown" even before the legal age in the labour market (Peck 1996).

Due to its social embeddedness, Peck (1996) argues that labour is a pseudo-commodity, it is not produced to be sold in the market. He argues that the labour market ought to be viewed as politically motivated structure of conflict which require a regulatory framework to manage power differentials between contending interests groups. He contends that contradiction, not failures of the labour market are part of the market and they can be solved only 'temporarily' through institutional interventions with no permanent solution in addressing the inherent contradictions. To illustrate how labour markets are socially constituted, Peck (1996) advances four processes, namely, incorporation, allocation, control and reproduction that labour goes through and other commodities do not (see figure 2.1 in p15).

The first process is incorporation, this refers to the way which individuals become wage earners, put differently, this deals with why and how people start to work. There are a

number of social conditions which influence individuals to work or not to work. Peck argues that “labour supply is not simply regulated by the market, but instead is shaped by relatively autonomous social forces such as state policies, ideological norms, and family structures” (1996:27). This is a point that orthodox economists side-step. The fact that labour cannot control its own supply and volume in the labour market puts it at a disadvantage against capital; once again, a point orthodox economists does not address. The supply of labour is independent from the demand environment in the market. For example, the supply of workers is influenced by the legal age that society deems it acceptable for one to work, this is independent of the availability of jobs in the market. By far and large, labour supply is determined by demographic profile of society which intersects with institutional rules; China’s one child policy is a case in point (Peck 1996). Labour supply can also be influenced by other factors beyond local realities as was the case when China, India and the ex-Soviet bloc incorporated their labour market economies into the global labour supply with 1, 5 billion people. This trebled labour supply and weakened the bargaining position of workers (Standing 2011).

Once incorporated, labour is allocated a job, a task, or an activity. Allocation is a process of matching workers with jobs and when analysing labour market variables, the social distribution of unemployment and who is likely to do physically hazardous or low status jobs reveal profound social reality and hierarchy (Peck 1996). Regardless of the measurement used, social hierarchy reflects the way labour markets are organised. For example, “labour market disadvantaged tends to be distributed in accordance with the ascribed rather than achieved status characteristics of workers, varying more closely with ethnicity, gender and age” (Peck 1996:30). In relation to race, this was the case during colonialism and apartheid in South Africa, and is still reflected in post-apartheid labour market. In relation to gender and minorities, the allocation of women in men dominated occupation, or, men in women dominated occupations, or of immigrants in construction or domestic work, reflect social hierarchy. Race and gender are strong indicators of who is likely to be allocated physically hazardous or low status jobs.

The two processes of incorporation and allocation deal with how and why individuals enter the labour market, and most importantly, who is likely to be placed in what job. Once allocated a job, the worker must do what he/she is paid to do, and for this to occur it is necessary to “enlist the consent of the worker in a way consistent with the maintenance of control over the labour process” (Peck 1996:32). Control refers to the structure of the employment power relations, and it incorporates productivity and the determination of remuneration, and bonuses for work done (Bezuidenhout 2008). The structure of employment power relations finds expression through employment contracts which state wage rates, duties, hours and where work is performed. In essence, employers purchase employee’s ability to work (labour-power) and not the employee as a person. Labour power has to go home every night (Peck 1996). Once the labour power is bought, another form of control which is not predetermined in employment contract is at play; employers must “seek to exert control over the conditions under which the speed, skill and dexterity of the worker operates” (Thompson 1983:41).

The nature of control is regulated by employment relations and labour laws agreed upon on the basis of consensus between labour, business and the State through social dialogue as was the case with the New Deal after the Great Depression. Peck argues that one of the unintended consequences and contradictions of despotic capitalism wage system was to “undercut labour’s ability to reproduce itself to a point of destruction” (1996:36). This was the case with racial capitalism during much of colonialism and apartheid. An economic system which is underpinned by low wages is susceptible to overproduction of commodities, or credit based consumption, in the long-term, this is not in the good interests of either employers or employees and a recent reminder is the 2008 financial crisis and the Marikana massacre in South Africa.

Once incorporated, allocated and employment relations are in place to regulate control, labour procreate and reproduces itself. Reproduction is the biological procreation; cost implications are education and training, clothing and caring of humans. Reproduction hinges not only in the labour market, but in the household, the community and the State, and it is linked back to supply and incorporation (Bezuidenhout 2008). Looking at China, the one child policy impacted on reproduction and influenced labour supply. Related to reproduction, as more and more women enter the labour market and start to do paid work this impacts on the household in a sense that the costs of reproduction are not entirely covered by wages since a lot of the work done in a household is unpaid work done by women and children (Peck 1996).

The four processes mentioned above represent how Peck understands the labour market to be socially regulated and his conception is compatible with tenets of the International Labour Organisation (ILO) Decent Work Agenda. Decent Work Agenda seeks to promote “opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity” (ILO 1999a: 3). In other words, the agenda promotes employment for those who want to work, social protection for those who are unable to work, workers’ rights for those in employment and social dialogue for changes and reform in the labour market in keeping with developments. The Decent Work Agenda and Peck’s analytical framework both view and treat labour as socially embedded and not as a commodity. The first pillar of decent work is employment and it refers to “adequate opportunities for work, remuneration (in cash and in kind), and embraces safety at work and healthy working conditions” (Ghai 2003:113). Employment is linked to the second pillar, social protection. Social protection for workers and non-workers is not a new idea it has been developed over the past 100 years and its main objective is to protect “workers against contingencies such as unemployment, sickness, maternity, disability and destitution in old age” (Ghai 2003:122).



Once employed, the third pillar recognises human rights which extended to realm of labour. The third pillar, workers' rights, entails "freedom of association, nondiscrimination at work, and the absence of forced labour and child labour" (Ghai 2003:113). All three pillars are possible only if the fourth pillar, social dialogue, is seriously considered. Social dialogue recognises and appreciates inherent power differentials between key stakeholders in the labour market. Social dialogue "is an essential attribute of a democratic society, and a means of resolving inevitable conflicts of interest over economic and social policies in a cooperative framework. It can promote equity, efficiency and adjustment and hence sustain economic progress" (Ghai 2003:133). Using Peck's analytical framework and the Decent Work Agenda and zooming on three key periods in history namely, primitive accumulation, Fordist-Keynesian, and flexible accumulation, the next coming sections will show how structural reforms, often in response to economic crisis influence how labour markets are regulated or deregulated. This will be followed by a section on how global developments influenced the South African labour markets and the approach in addressing unemployment generally, and youth unemployment specifically.

### **2.3 Primitive accumulation: Industrial Revolution**

By Terreblanche's account, "Capitalism was born in England in 1688/89, when the mercantile elite and money oriented landowners (the gentry) were powerful and rich enough to take over the English state during the Glorious Revolution" (2012:38). At the time capital needed legitimate authority to justify profit accumulation; this was possible through the State or monarch. Authority for the purpose of this research is the State as it provides legitimacy for profit accumulation. According to a well-worn myth, private capital financed the Industrial Revolution without a written industrialisation policy by the State; as a result, the State played no major role besides adopting a *laissez-faire* posture (Harris 2004). To paraphrase Karl Marx, the modern State was and to large extent still is an executive committee which manages the affairs of the bourgeoisie.

Prior to the Industrial Revolution which began in Britain in the late 1700s, workplaces and work was often done using basic tools or machines in people's private spaces-homes. Preceding the birth of capitalism in 1688/89 and the Industrial Revolution, in 1563, Britain passed its first law related to labour regulation, the Statute of Artificers. This law was aimed at protecting certain vocations through wage regulation amongst other things (Harris 2004). Then, as early as 1563 one of the first thing regulated were wages. Britain also had the Act of 1788 in place specifically to protect children from poor working conditions, in particular, boys who cleaned chimneys (Tilly and Scott 1978). Many more laws were passed as work was gradually being formalised during industrialisation. Even with laws in place labour aristocrats and craftsman working in their private spaces stood in the 'way' of industrialisation, and to proletarianise them and maximize their labour power in return for wages and profit for capital, work had to be organised and structured. Consequently, work as a form of paid-employment moved from homes to factories and the wheels of industrialisation started to turn resulting is a finance-military industrial complex that grew the economy (Harris 2004).

Gartman (1998), closely analysing the converging work of David Harvey (1989) and Fredric Jameson (1984;1991), argues that the first stage of capitalism was characterised by unregulated market activities. Though the two laws mentioned above show that there was some form of labour market regulation, the economy was largely unregulated. This stage, Gartman (1998) refers to as the competitive stage as it was the freewheeling era prior to the 1890s. It was a major turning point in history with technological advances in textiles, steam power and, iron making playing a central role in the development. The competitive stage also known as the Industrial Revolution was characterised by technological advancement which led to improvements in communication, transportation and banking (finance and taxation). Although these advancements resulted in improvement in the standard of living for the middle and upper classes, this was at the expense of employment and living conditions for the poor

and working class. E.P. Thompson described workplaces as “places of sexual license, foul language, cruelty, violent accidents, and alien manners” (1966:307), and Charles Dickens referred to textile mills as “dark satanic mills”.

These developments and the growth of the labour market were followed by more and better forms of labour law regulation (Polanyi 1944). Peck argues that the parallel development of labour laws with the Industrial Revolution shows that the ‘free’ labour market was not an historical predecessor to regulated labour market; regulatory evolution of labour market has always been interlinked with capitalism development through trial and error” (1996:68). With labour laws in place, a prospering economy coupled with relatively low taxes resulted in surplus capital which enable the British Empire to grow and expanded its trade markets; the rest is a well-known story of British influence and imperialism that extended to the United States of America (US).

## **2.4 Fordist-Keynesian: 1914-1973**

Symbolically, 1914 marks the year that Fordism was officially “born”. The year represents the raising of wages to five dollars and an eight hour working day for workers in automotive plants which Ford had opened the previous year in Dearborn, Michigan (Harvey 1990). By raising wages to five dollars, Ford was essentially regulating wages just like the 1563 Statute of Artificers in Britain did. British Industrial Revolution laid the foundation for industrialisation in the US which commenced with Fordism. This era Harvey (1990) calls the Fordist-Keynesian, and Gartman (1998) refers to as the Monopoly or Fordist period. Fordism did not gain traction over-night, it was not an event, it was a long and complicated process which spans over half a century and it witnessed two world wars and the Great Depression (Harvey 1990). Ford’s technological changes towards production processes were not introduced unchallenged, Gartman (1998)

argues that workers challenged new production technology. With this resistance Ford introduced the five dollar Day programme which doubled workers' wages in 1914.

Fordism was an era of rapid economic, cultural and political change, it was epitomised by mass production, standardisation of goods, and monopolies. Most importantly, Fordism was an extension of well-established technological advances from the British Industrial Revolution, and it is well depicted by Frederick Taylor's scientific management whose sole purpose was to control the speed of the production process by breaking down the labour process into different stages. According to Gartman (1998), this process took away workers' autonomy by creating a clear distinction between conception and execution of work through managerial control. By breaking down the labour and production process through specialised machines, work process was highly ordered and logical, "machines captured the skill and discretion of operators, and moving lines and conveyors linked workers in a precisely timed system that controlled their every move" (Gartman 1998:122).

The results of such organised mass produced goods was standardisation as was the case with the type of car produced at that time, the Model T. With the production of mass goods a new type of consumer was needed. Goods produced needed consumers, and Gartman (1998) argues that only the working class was big enough numerically to consume the goods. Converting "workers into consumers entailed raising their wages and persuading them to buy their means of livelihood, as opposed to producing them at home" (Gartman 1998:122). Ultimately, mass production anchored by mass consumption is what differentiates Ford from Taylor. Harvey (1990) argues that the former believed that for a relationship of mass production and consumption to co-exist, a new system of reproduction, a new political economy, a new way of rationalising, a democratic society ought to be in place to facilitate this process. Therefore the process and costs of labour reproduction had to be taken serious.

With their wages increased workers were encouraged to use them wisely, and Gartman (1998) argues that Ford encouraged the production and purchase of durable goods. To make sure that the new worker that Ford envisaged was being molded he sent social workers in 1916 to find out if wages were being spent wisely. Harvey (1990) argues that Ford greatly believed in corporate power in shaping life and the entire economy (hence he sent social workers), but ultimately the aim was to proletarianise workers by making them depend on wages for consumption and making it difficult to live outside that system, at the same time, make living in the very same system bearable and comfortable. The new type of worker that Ford wanted to ‘manufacture’ now turned consumers “could not secure mass consumption against capitalist competition” (Gartman 1998:122). Mass consumption, debt, and credit, in other words, capitalism inherent contradiction collided in 1929 and the Great Depression followed.

The collapse of the stock market resulted in factories closing, massive loss in full-time employment, and soup kitchens opening up, suicides rates going up, and income inequality (Klein 2007). The market crash of 1929 did not signal the end of the market, or the demise of capitalism, John Maynard Keynes argues that it was “the end of *laissez-faire*”- the end of letting the market self-regulate. Tackling socioeconomic problems after the collapse required the deployment of State powers, this necessitated a truce between the State, capital and in order to avert a popular revolt (Klein 2007). The State actively intervened in the economy to stimulate aggregate demand which it was argued would grow the economy (Gartman 1988; Harvey 1990; Klein 2007). And in the US, the Wagner Act of 1933 was in place and it gave labour unions explicit collective bargaining power in exchange for having a muted role in the area of production (Harvey 1990). That same year, the Banking Act of 1933 commonly known as the Glass-Steagall Act was passed and it separated commercial, insurance and investment banks which thwarted stock market speculation.

Using the fiscal and monetary policy the State also implemented social public works programme to help combat unemployment, and built infrastructure which is important for development. The State put policies in place to tackle unemployment and inequality together with “rule-governed institutions” which sought to “overcome wage competition and sustain high demand” (Gartman 1998:122). Through the publication of his magnum opus, *The General Theory of Employment, Interest and Money* in 1936, Keynes appeared to have provided the economic *raison d'être* of government and a nuanced understanding of how the economy functions. The relatively “stable” period between 1930 and 1940 was disturbed by the Second World War which lasted six years (1939-1945). Though the war played a crucial role in hindering the implementation of Keynesianism in other parts of Continental Europe, it also cemented and hardened Fordism. It is within the context of chaos, war, configuration and reconfiguration of society and work that the Fordist-Keynesian era ought to be understood (Harvey 1990).

The Second World War had unintended consequences, demographically, high mortality of men compared to women resulted in the latter being incorporated into the labour market at the end of the war-feminisation of the labour market. Infrastructural damage meant that the State could spend and run budget deficits to rebuild after the war, and manufacturing of war material; artillery, clothes for soldiers, weaponry, cars and aircrafts. This contradictory process of destruction and manufacturing during and after the war matured Fordism “as a fully-fledged and distinctive regime of accumulation” (Harvey 1990:129) and it foregrounded the post war boom and reconstruction also known as the “Golden Age of Capitalism”: the rising tide lifting all boats financed by a welfare state under the Bretton Woods system. With Fordism fusing with Keynesianism, after the postwar period there was a rise “of industries based on technologies that had matured in the inter-war years and been pushed to new extremes of rationalization” (Harvey 1990:140).

The reconstruction of war torn economies necessitated a reorganisation of society. From the Great Depression the world had learned that the economy needed to be regulated, and the Second World War years cemented the ingenuity in Fordist production processes. The aftermath of both events necessitated a reconfiguration of society; that is, the relationship between capital, labour and a clear role of the State in this arrangement. Central to comprehending the relationship between capital, labour and the role the State plays in this relation is through Keynes' work. Unlike Peck, Keynes took a partial and not full break from neoclassical economic theory after the Great Depression by challenged the notion that full-employment equilibrium can be achieved based on supply and demand mechanisms. Keynes posited that "when effective demand is deficient there is under-employment of labour in the sense that there are men who are unemployed who would be willing to work at less than the existing real wage" (1936: 289). Keynes contended that under-employment was not an anomaly under capitalism but it was expected. So, the labour market will forever have to deal with under-employment.

Galbraith (1977) writes that what Keynes argues is that "previously it had been held that the economic system, any capitalist system, found its equilibrium at full-employment. Left to itself, it was thus that it came to rest. Idle men and idle plant were an aberration, a wholly temporary failing. Keynes showed that the modern economy could as well find its equilibrium with continuing, serious underemployment. It's perfectly normal tendency was to what economists have since come to call an underemployment equilibrium" (1977:216). Although not completely breaking with neoclassical orthodox economics, Keynes acknowledged under-employment as part of capitalism and argued for State intervention through monetary and fiscal policy to stimulate aggregate demand to address under-employment.

For the downtrodden and unemployed Keynes advocated that the State make provisions for their wellbeing. Therefore the State during the Fordist-Keynesian era and



in particular during the “Golden Age of Capitalism” adopted a welfare capitalist orientation. State sponsored reconstruction of war-torn economies, and a careful balancing act that encouraged work protection through full employment (not to be confused with full-employment equilibrium), in other words, permanent employment. The benefits of Fordism and progressive taxation which lead to wealth redistribution was channeled into health care, housing and education constituted the social wage. The provision of a social wage and reduction in inequality and unemployment strengthen State authority (Harvey 1990).

While the State adopted a welfare role, capital’s role was to capitalise on long term growth to sustain profit. For this to occur, capital needed “continuous acceleration in the productivity of labour”, Harvey argues, in exchange for this request “corporate capital had to trim its sail in certain respects in order to move smoothly” (1990:133). A swap for collective bargaining rights for unions in return for autonomy in production processes took place. The Fordist-Keynesian era demonstrated and proved that the State can focus on full employment, economic growth, social security of its citizens, and if necessary, the State ought to intervene in markets, including labour markets (Harvey 1990). With the notion of full employment, the welfare State was able to address massive unemployment caused by the Depression, and this strategy was pregnant with tenets of the Decent Work Agenda, namely employment for those who want to work, social protection, workers’ rights and social dialogue.

The focus on full employment was achieved by creating space for “adequate opportunities for work, remuneration (in cash and in kind), and embraces safety at work and healthy working conditions” (Ghai 2003:113). A standard was set as early as 1563 with the Statute of Artificers, and in 1914 with 5 dollar wage, employment and remuneration was synonymous with a living wage to cover needs beyond daily living necessities and not only cover the bare minimum. Linked to the notion of full employment was a moral and ethical obligation of social protection or social wage.



Social protection for workers is not a new idea it has been developed over the past 100 years and its main objective is to protect “workers against contingencies such as unemployment, sickness, maternity, disability and destitution in old age” (Ghai 2003:122).

The notion of full employment also encompassed the idea of workers’ rights. The right to join a union involves the right of “freedom of association, nondiscrimination at work, and the absence of forced labour and child labour” were championed (Ghai 2003:113). The notion of full employment which implicitly advocated for decent work effectively addresses what Guy Standing calls the (2011) Precariat. Full employment offered labour market security, employment security, job security, work security, skills reproduction security, income security and representation security (see definitions below):

- *Labour market security*- adequate income-earning opportunities; at the macro-level, this is epitomized by a government commitment to full employment.
- *Employment security*- Protection against arbitrary dismissal, regulations on hiring and firing, and imposition of cost on employers for failing to adhere to rules.
- *Job security*- Ability and opportunity to retain a niche in employment plus barriers to skills dilution, and opportunities for ‘upward’ mobility in terms of status and income.
- *Work security*- Protection against accidents and illness at work; for example, through safety and health regulations, limits on working time, and unsociable hours.
- *Skills reproduction security*- Opportunity to gain skills, through apprenticeship, employment training and so forth as well as the opportunity to make use of competencies.
- *Income security*- Assurance of an adequate stable income protected, for example, by means of minimum wage machinery, wage indexation, comprehensive social security, and progressive taxation to reduce inequality and supplement low incomes.
- *Representation security*- possessing a collective voice in the labour market by means of, for example, independent trade unions, with a right to strike (Standing 2011:10)

After a successful post-war (1945-1970) period of full employment and active State intervention through social security programmes for those who could not be employed, important lessons were soon forgotten. With the benefit of hindsight what Keynes had long spoken of, stagnation, was no longer a dream but a reality. Keynes (1936) was convinced that capitalism gravitated towards stagnation, but he did not give an analysis of this phenomenon. Keynes explained stagnation as a decline in the marginal efficiency of capital, in other words, it is a decline in expected profits on new investment, and this was a contributing factor to the 1970s economic crisis (Harvey 1990). The post-war honeymoon period between capital, labour and state came to an abrupt end with the gold standard and the collapse of the Bretton Woods system.

## **2.5 Flexible accumulation: 1973-2008**

The crisis that was to start in the mid-1970s was mainly economic and had political undertones. The reality was that Fordism and Keynesianism could not solve inherent contradiction of capitalism, in this case stagnation. What started as a US dollar devaluation ended with then President of the US Richard Nixon in 1971 abandoning the gold standard and adopting a *fiat* system- a financial system based on money not being backed by gold but trust in State authority. The dollar was no longer backed by gold, in other words, you could no longer exchange dollars for gold, the very same commodity which gave the currency its strength and authority- this is one of the reasons interest rate hike in the US affect the price of gold. Government response to stagnation was in a form of monetary policy and the removal of the gold standard, as such, money was printed to stimulate the economy or aggregate demand (Harvey 1990). What followed was an increase in inflation, the dollar lost value, and to arrest the tailspin of the dollar, Paul Volker, then Federal Reserve chairman raised interest rates to 19 percent in 1981 to slow down Inflation (Rickards 2014). It was during the 1980s that we see a rise in unemployment in many Western countries, and with the decline of the US economy, the

strong working class which had built it was financially weak. Something had to happen and fast.

The 1970s economic crisis came at a time when the Fordist production process was at an apogee. In other words, work could not further be divided and as a result productivity was stagnant and profits dwindled. These challenges were compounded by the exportation of Fordism to other parts of the world, particularly Western Europe and Japan. Increased competition dislodged the monopolistic nature of Fordism and thwarted US hegemony. Gartman stresses that, “the crisis of Fordist production pushed American manufacturing to search for both new product markets and new production methods”(1998:124). The search led to the expansion of neoliberalism commonly known as globalization with a preoccupation towards a market-oriented approach to commoditize all aspects of social life. Washington consensus, neoliberalism, market fundamentalism and globalization although they are variation often used interchangeably, they all converge on four pillars; free markets, deregulation, privatization, and a minimalist state both in size and intervention in the market.

Neoliberalism introduced financial engineering based on mathematical algorithms, futures market, derivatives, credit default swaps and quantitative easing. These new financial instruments led to easy access to credit to offset stagnant real income and created artificial economic growth full of bubbles. The implication of free markets is lack of control of movement of capital, effectively countries surrender to the financial market and democratic decisions which go against free boarder-less capital are punished by capital flights; this happened in South Africa, December 2015, when President Jacob Zuma fired minister Nene and replaced him with an unknown figure. The 1970s economic crisis and neoliberalism swung the pendulum back to orthodox economic theory and implicitly attacked Keynesianism. The State abdicated its responsibility towards full employment and focused on inflation control and economic growth.

The counterrevolution against Keynesianism was led by the Chicago School from the University of Chicago. The Chicago boys were a group of neoliberal (orthodox) economists who believed that the economy was stagnant because governments had intervened in its workings. In the book *Capitalism and Freedom*, Milton Friedman of the Chicago School laid out a way to get the economy back on its track for maximum efficiency with three simple rules (Klein 2007). First, governments had to remove all regulation, second, they should privatize state owned companies and last, they should cut spending on social programmes (Klein 2007). Friedman advocated that taxes “should be low, and rich and poor should be taxed at the same flat rate. Corporation should be free to sell their products anywhere in the world, and government should make no effort to protect local industries or local ownership” (Klein 2007:69).

Once the removal of regulation was underway, Friedman advised that education, healthcare and social security like pension fund be privatized. In other words, key institutions that influence labour supply had to be privatized and commoditized where possible. What Friedman was effectively advocating for was a break with the New Deal-“truce between the state, corporations and labour after the Great Depression” (Klein 2007:69). The gains that labour managed to negotiate, the social services the State offered, the Chicago boys wanted them all back as they believed this distorted the market. The three prong approach of deregulation, privatization and cut-backs on social welfare programmes started to be tested not in the US but in Latin America, beginning with Chile after the 1973 coup d’état (Klein 2007).

One of the reasons why these changes first occurred in the third world global south countries is due to a lack of entrenched trade union organisation in these regions. In essences, neoliberalism or free capital went where taxes and wages were lowest, subsidies highest and environmental standards weakest “through a series of trial-and-

error maneuvers, manipulations, negotiations, and struggles” (Neil Brenner *et al.*, 2010: 338). Three other major events also contributed to neoliberalism being embraced, Deng Xiaoping liberalizing the Chinese economy in 1978, the election of Margaret Thatcher in 1979, and Ronald Reagan in 1980. These events Harvey (2005) contends signaled a turning point in world history.

The relocation of production to third world countries by some major companies came with a shift in the production process of products and goods. The rigidity of Fordist production Gartman (1998) posits was not adequate to meet the demands and diversification of goods and as a result, the production process had to be reorganized or restructured. The production process had to be made flexible to make provisions for adaptation in relation to a wide range of new tasks in line with the economy of scope. Bezuidenhout and Kenny describe labour market flexibility as an “ability of companies to adapt the use of labour to changes in other markets” (2000:3), and the flexibility process starts with replacing deskilled workers with reskilled ones. The second step was to replace “specialized Fordist machines” so that reskilled workers can operate the “microelectronic technologies such as robotics and computer controlled machine tools that could be quickly adapted” (Gartman 1998:124).

From the process of deskilling and reskilling we start to see the beginning of work process flexibility- workers are not only skilled to use one machine but multiple ones and job rotation (Bezuidenhout & Kenny 2000). However, the processes of deskilling and reskilling dislocates and fragments occupational skills. The dislocation of skills from trade or industry base to firm specific skills allowed manufactures to adapt to seasonal changes required by economy of scope production. To further supplement profits, Capital did not only make production flexible, but also wanted wages and labour relations to compliment this. As a result, in order to avoid high wages and strong unions, corporations relocated their production to third world, low wage, less developed global southern countries without necessarily having to move their headquarters. With these

changes, we witness the introduction of employment flexibility. Employment flexibility which includes numerical flexibility refers to the “adaptability of the size of a firm’s workforce to changes in demand for the product or service supplied. Examples of measures to acquire numerical flexibility include the subcontracting of labour, the use of casual labour, seasonal labour, and home-working” (Bezuidenhout & Kenny 2000:3). The processes of flexibility described are the hallmarks of what Harvey (1990) would call *Flexible accumulation*.

Where the Fordist-Keynesian era was characterised by a welfare oriented State in which “social regulation fostered consensus through alliance formation and social partnerships of various kinds and provided safety nets that ameliorated the ravages of capitalism” (Buhlungu 2005:704-5). Flexible accumulation is characterised by a neoliberal workfare state, a minimalist state, with a mantra of market fundamentalism and a devotion “in the virtues of the unfettered market capitalism and a strident opposition to any attempts to impose regulation on economic life” (Buhlungu 2005:704-5). The shift to flexible accumulation put pressure on employment relations to be in line with the logic of flexibility. The consequence of flexible accumulation on the labour market is the creation of three employment relations categories or features mainly; core, casualised and/or externalised, and periphery workers (Harvey 1990; Von Holdt & Webster 2005; Webster & Ormar 2003).

Generally, core workers have permanent work with all or most benefits, medical aid, pension fund, provident fund etc. Casualised and/or externalised workers have unstable, not permanent jobs, part time or temporary work with little or no social protection. Finally, periphery workers are “making ends meet” through an informal way, they epitomizes what Standing (2012) calls the Precariat, and to a large extend casualised and externalised workers constitute this group. Flexible accumulation and labour market flexibility has resulted in a shift away from the Decent Work Agenda since the aim is production and efficiency which is at odds with some indicators in the pillars.

Webster et al., (2008) view the Decent Work Agenda in a form of nine indicators below, and viewed as such, one expects tension to arise:

- Employment opportunities
- Stability and security at work
- Adequate earnings and productive work
- Decent hours of work
- Combining work, family and personal life
- Equal opportunity and treatment
- Safe work environment
- Social protection
- Promotion of social dialogue

Accepting that labour is socially embedded, the first indicator of employment opportunity seen in a context of family and personal responsibility or decent working hours, tension arises. A security guard or a nurse who works night shifts but has a child who is in school faces challenges which speak to Decent Work Agenda. For the above mentioned workers the tensions are on multiple levels; logistically, emotionally, psychologically and financially. Logistically, the worker has to arrange transport to see to it that the child gets to and from school. Emotionally and psychologically, the child needs assistance with homework, preferably from the parent or tutor. Access to these provisions has financial implication of which wages do not consider. Webster therefore proposes a strong emphasis on social dialogue for stakeholders to engage on trade-offs to be made in the short to medium term in order for Decent Work Agenda to be progressively realised.

Labour market flexibility also has a profound impact on three key interrelated aspects this study grapples with, namely; wages, “skills” and, employment determination. That is a balance between, production, remuneration, development and training. As stated earlier in the chapter, advocates of neoliberalism argue for the removal of anything that stands in the way of the market to “automatically” adjustment wages which will lean towards full- employment equilibrium. However, wages do not fluctuate like the price of gold or other commodities in accordance with supply and demand forces. Far from the market reaching an equilibrium and “clearing”, the economy as Keynes had predicted tends to stagnate. To address stagnation, deregulation has been advocated, this has an impact on skills development and training since business view these non-wages costs as part of wages.

Non-wage costs are equivalent to mine companies arguing that living out allowance, or the cost to training workers to use new machinery forms part of wages. Even if one accepts that other non-wage costs forms part of wages, over the past three decades, wages and wealth levels when expected to be converging have diverged sharply indicated by an increase in income inequality and accelerated increase of shares and profits (Mishel 2012). Table 2.1 below provides a summary of different stages in the development of capitalism in Continental Europe. What is clear from the table below is that Flexible accumulation has resulted in labour market flexibility causing a distinct group of the unemployed, the youth and the tide rising one boat, capital.





**Table 2.1: Stages of Development in Continental Europe**

	Primitive Capitalism	Fordist-Keynesian	Flexible accumulation
Forms of regulation	<ul style="list-style-type: none"> <li>*Military and Empire orientated</li> <li>*Some labour laws to protect children</li> <li>*Laisser-fair</li> </ul>	<ul style="list-style-type: none"> <li>*Welfare state</li> <li>*State sponsored development</li> <li>*Provision of social wage-health, education, transport</li> <li>*Regulation, collective bargaining</li> <li>*Intervention in the economy through price policies and monetary</li> </ul>	<ul style="list-style-type: none"> <li>*Deregulation</li> <li>*Flexibility</li> <li>*Firm-based negotiations</li> <li>*Privatization of social security</li> <li>*Financialisation of the market</li> </ul>
Labour	<ul style="list-style-type: none"> <li>*Craftsman</li> <li>*Family economy oriented</li> </ul>	<ul style="list-style-type: none"> <li>*Payment per rate</li> <li>*Generalists</li> <li>*Little or no job training</li> </ul>	<ul style="list-style-type: none"> <li>*Personal payment, detailed bonus system</li> <li>*Multiple tasks</li> <li>*experience wanted, qualification or accreditation</li> <li>*fragmentation of labour and skills</li> </ul>
Capital	<ul style="list-style-type: none"> <li>*Lead developments</li> </ul>	<ul style="list-style-type: none"> <li>*Long term development and investment in partnership with the State</li> </ul>	<ul style="list-style-type: none"> <li>*Short term profit centered, big business</li> <li>*derivatives, mergers and acquisitions</li> </ul>
Production process	<ul style="list-style-type: none"> <li>*Simple tasks performed at craftsman's pace</li> </ul>	<ul style="list-style-type: none"> <li>*Mass production</li> <li>*Economy of scale</li> <li>*Resource driven</li> <li>*8 hour a day</li> </ul>	<ul style="list-style-type: none"> <li>*Economy of scope</li> <li>*Demand driven</li> <li>*Just- in- time</li> <li>*Shift system</li> </ul>

Source: generated from Harvey 1990

The response to dealing with this distinct group of the unemployed has taken a “life jacket”. The life jacket in a form of wage subsidy is to be used by recipients to hopefully reach a very small core employment boat. The life jacket approach works for some and leaves the vast majority at sea as you will see later in the chapter after the South African story section. However, what is also clear from the table 2.1 above is the form of regulation in each stage is complimented by a particular type of labour. The flexibility in labour regulation is also reflected in the production process, from simple task, to mass production or economy of scale, to just-in-time economy of scope. All these changes have profoundly affected the way workers are being trained and skilled. These changes will be grappled with in chapter four and five, but before that, let us focus our attention to South Africa’s development path.

The aim of the South African path is to locate and situate its development within broader continental Europe’s developments that were discussed above. But most importantly, the aim is to set up the national discourse and its complexities which will be grappled with in chapter four. South Africa’s path will be succinctly chronicled using Terreblanche (2012) starting with capitalism being born in 1688/89 in England, and well-known story of British Empire’s expansion and how this led to the Empire benefiting heavily from exploiting mineral rich countries like South Africa.

## **2.6 The South Africa story**

In 1795, Britain captured the Cape of Good Hope from the Dutch. Strategically the Cape was seen by the British as a gateway to expanding the Empire. The aim was to develop Cape to advance British interests at the expense of the interests of the Afrikaners and the exploitation of Black labour (Terreblanche 2012). The discovery of diamonds and gold in 1867 and 1886 respectively, made the Cape of Good Hope, consequently South Africa, to be more than just a strategically important place but a land in which minerals

would shape the historical trajectory of the country. To achieve the goal of extracting minerals efficiently and cheaply, a system of accumulation was put in place which was characterized by linking minerals and energy, or the “mineral energy complex” (MEC).

Terreblanche argues that the MEC system of “accumulation was and remains dominated by the state around mining and energy” with the State looking after the interest of the capitalist corporate sector (2012:44). Karl Marx’s definition of the State fits well in this context. This model of accumulation lies at the heart of the South African economy and it has come to define the development of capitalism in the country. Due to mining being important to the British Empire, ‘gold war’ were waged against two Boer Republics. British colonialism in South Africa is best depicted by Cecil John Rhodes “who was not only utterly corrupt, but also most untrustworthy in his manifold illegal business and political wrangling” (Terreblanche 2012:44). Rhodes was also the Prime Minister of the Cape Colony and during his period State and capital were represented by him. During British colonialism the State and capital were the same entity, and labour a different one. The above described developments were occurring during the time of Industrial revolution.

### **2.6.1 Mineral and Energy Complex: 1910-1948**

The ‘gold war’ known as the Anglo-Boer War led to frictions and hostilities between the two white settlers groups, the English and Afrikaners. This friction resulted in the formation of four colonies from 1902-1910, and it was only in 1910 that the colonies were united to form the Union of South Africa (Terreblanche 2012). From 1910-1948 the country saw a number of political parties which governed on behalf of the MEC. This period is characterised by squabbling for governance between Afrikaners and the English. Notwithstanding the squabbles, any party which came into power between 1910 and 1948 governed on behalf of the MEC. The implementation of economic

policies to protect and consolidate the capitalist corporate sector was of paramount importance to whichever party that governed. For example the MEC was responsible for a commission in 1903 to find out why Africans were not prepared to work in the mines, this resulted in the Land Act in 1913 which effectively institutionalized an exploitative migrant labour system by dispossessing land (Terreblanche 2012). The migrant labour system was used to socially regulate labour in South Africa.

Job reservation laws were also instituted which made it possible for white citizens to be privileged by getting better pay, better work and work security at the expense of the Black majority. In 1920 the MEC ignored the quota of nine Black mineworkers for every white foreman and used fifteen in order to lower production costs. This led to the Rand Revolt strike in 1922 which was violently repressed by the Smuts government (Terreblanche 2012). At the heart of the strike was the contention of allocation once workers were incorporated and demographic changes which occurred after World War One. Ultimately, workplace hierarchy was a mirror image of society with whites being on top and Black at the bottom (Terreblanche 2012).

The Rand Revolt which was technically a defeat for the MEC resulted in the intensification of slave like methods to keep production costs low; as late as 1969 wages of migrant workers on the mines were below 1896 level (O'Meara 1996). The migrant labour system and low wages destroyed the family structure of the African-traditional society, and this extended into apartheid (Terreblanche 2012). Reproductively, the impact of migrant labour system and low wages could not be "seen" because it was relegated to homelands where men go back when sick or retire. This system of regulating labour was to be intensified and legalised during apartheid when the National Party (NP) came into power.

## 2.6.2 MEC and Apartheid: 1948-1994

When the NP won the national election on an anti-capitalist campaign in 1948 it captured political power for the Afrikaners and caught the English establishment off guard (Terreblanche 2012). O'Meara (1996) quoted in Terreblanche (2012) argues that "given the NP's overt intention to promote purely Afrikaner interest against the predominant economic power centers (of white English speakers) (the NP) accession to office struck pure terror in the hearts of most anglophile businessmen". Although the relationship between the Afrikaner and English had been built on hostilities, the two groups reluctantly learned to work together. For example, in 1964, on behalf of the MEC, Harry Oppenheimer initiated an Afrikaner Economic Empowerment (AEE) deal. When General Mining and Finance Corporation was in financial ruins, Oppenheimer's Anglo-American Corporation bought it and transferred it to Federale Mynbou, "the mining subsidiary of Sanlam, which controlled Federale Volksbeleggings" (Terreblanche 2012:53).

The anti-capitalist policies of the NP which were feared would thwart free enterprise had the opposite effect. Influx control measures to control Black workers, import control and substitution in the manufacturing industry and protectionism were all conducive for economic growth in the 1950s and 1960s (Terreblanche 2012). Laws which were put in place were beneficial to the MEC and capital as a whole, the control of Black workers "attracted a larger influx of foreign investment from countries such as Britain, Germany and the US during the 1950s and 1960s" (Terreblanche 2012:52). Foreign companies benefited from the cheap labour and weak labour unions, this also solidified apartheid.

In the public sector, employment opportunities were available for Afrikaners to a point where within a decade this sector was Afrikaner orientated (Terreblanche 2012). The agriculture sector was heavily subsidised, additionally, public corporation like Eskom

which is responsible electricity production, Iscor, and Sasol were used for employment and provided training for Afrikaner entrepreneurs. These State owned public corporation paved way for industries to be organised in such a way as it resembled a monopoly, hence, the term “white monopoly capital” is used in post-apartheid to describe capital. Racist laws put in place to oppress Black people and the opening up of opportunities for whites generally resulted in “per capita income of Africans as a percentage of the per capita income of the whites declining from 8,9% in 1946 to 6,8% in 1970” (Terreblanche 2012:55 & Terreblanche 2002). Ultimately, apartheid was a racial form of capitalism and the struggle against the regime on the ground was led by African workers whose rights were only recognised in 1979 after the Wiehahn and Riekert commission-the same period neoliberalism gains traction. The commission which recommended the incorporation and recognition of Black trade unions in the country’s industrial relation was more about effective institutional of after labour in the labour market. Control was achieved through legislation that prevented formal links between trade unions and political formations (Habib and Valodia, 2006).

Important to note is that African workers received industrial democracy before democratic elections in 1994. The Wiehahn and Riekert commission paved way for African workers to participate in the arrangement of their work spaces, 15 year later, Black citizens casted their votes and endorsed the African National Congress (ANC) to govern the country. At the time when global discourse in the 1990s was about a deregulation of everything, including labour markets, selected few individual were plotting a way forward for South Africa. Locally, transitional talks were concerned with peace and addressing the legacy of apartheid; unemployment, income inequality, land, labour. Simply put, the discourse was around which economic policy, social policy and labour market policy the country should pursue given the context of apartheid. Discourse therefore tended to be in three silos, namely, economic, social, labour and the role of the State in each.

As mentioned in this chapter, since British colonialism the State and Capital was one of the same thing. Post-apartheid, discourse did not make the connection between social, economic policy and the role the State ought to play in reshaping society holistically. Whereas the State played a central role in the extraction of minerals and guarding the MECs interests, the post-apartheid State was being asked to be a “silent” partner and for capital to lead in the redressing and reconstruction of the country. Consequently, capital led and framed the discourse and advocated for labour market deregulation, but contributed little on social policy discourse or the structure of the economy. Table 2.2 below is a summary of stages of developments in South Africa before democracy.

**Table 2.2: Stages of development in South Africa**

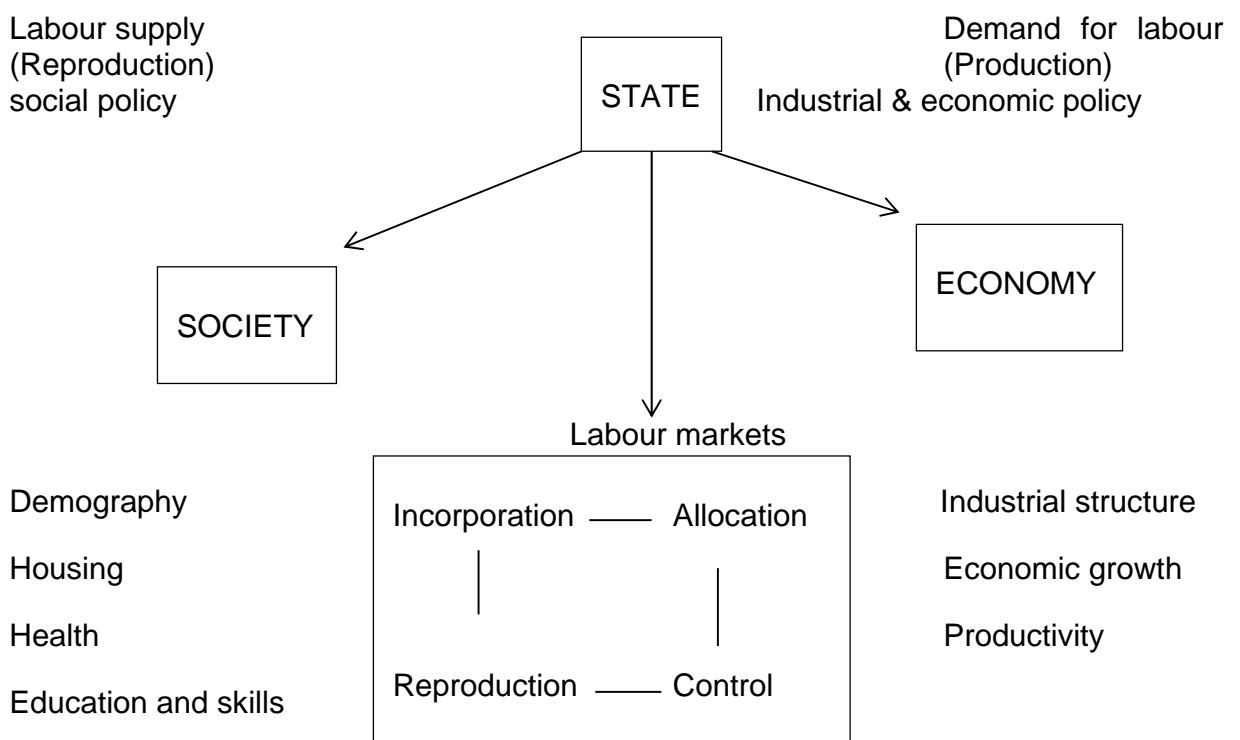
	British capture 1795-1910	Mineral & Energy Complex 1910-1948	MEC & Apartheid 1948-1994
Capital and State	*Expansion of British Empire  *Discovery of minerals	*State sponsored mineral extraction  *Racial capitalism  *Provision of social wage-health, education, transport (Poor white problem)	*Legalised racial capitalism  *Focus on Afrikaner Nationalism
Labour	*migrant labour system  *Job reservation	*Migrant labour system  *Job reservation  *Little or no job training	*Recognition of African trade unions in 1979 bonus system  *Different training for blacks and whites

Source: generated from Terreblanche 2012

### 2.6.3 From Apartheid to Democratic

The role of the post-apartheid State was to make provisions for factors which influence and shape labour supply, like housing, transport, healthcare and education. Whereas the Apartheid State unequally allocated funding for these provisions, the democratic State had to rebalance allocation. Moreover, the democratic State had to put legislation in place to change the way labour is incorporated, allocated, controlled and reproduced (see figure 2.2 below). Though a lot could have been done to dismantle the old economic system which focuses on exporting raw minerals, a miscalculation was the early incorporation of the local economy in the global system without serious consideration on social, labour market and educational policy.

**Figure 2.2: Labour Market Structure**



Source: Bezuidenhout & Kenny 2002



Almost two decades into democracy the consequence of a deregulated labour market and poor schooling system in South Africa is as follows. Looking at a working population (aged 15-64) of 33.2 million, more specifically 13.2 million were employed and 5.6 million were unemployed. A combination of employed and unemployed people which is referred to as the labour force was 18, 8 million, and when using the narrow definition of unemployment, 29,8% of people are unemployed (Census 2011). However, when discouraged work seekers are accounted for in the labour force, the expanded definition of unemployment reveals that 40% or 8.8 million are unemployed. A consideration of age shows the unemployment rate among the 15 to 19 year old group is 64, 9% and the least affected is the 60 to 64 age group with 13, 2% (Census 2011). This could be attributed to the fact that the country has a young population, “almost one in three or 29.6% of the population of South Africa is aged between 0-14 years and a further 28.9% is aged between 15-34 years” (Census 2011:28). Differently put, 58.5% of the population is under the age of 34 years and 70% of those unemployed are found in this working group (Census 2011:28).

Although employment has more than doubled since 1994, this has been outpaced by labour supply with the removal of influx control and population growth. South Africa’s population has nearly doubled since 1994 and this means more young people enter the labour market than older people. Proportionally, this means young people are more likely than older people to be unemployed when disaggregating the definition of youth. In light of demographic shifts, unemployment in South Africa is structural not cyclical; because 40% of the unemployed are new (mostly youth) entrants into the labour market, and 60% of those who have been unemployed have been unemployed for more than a year (COSATU 2010).

A closer look at unemployment figures by age one notices that the most affected age group from the table below is age 15-24 with 49,9% unemployment rate, and this is followed by 25-34 with 18,7%. The former group is the “traditional” definition of youth,

however, due to historical reasons the definition of youth in South Africa is a combination of the two. From the table below, the unemployment rate in both age groups 15-24 and 25-34 is above the national average at 24,7%. The least affected age group is 55-64 with 6,9% unemployment rate, followed by age group 45-55 with 12,4% (QLFS-Q1 3013).

**Table 2.3: Labour force characteristics by age**

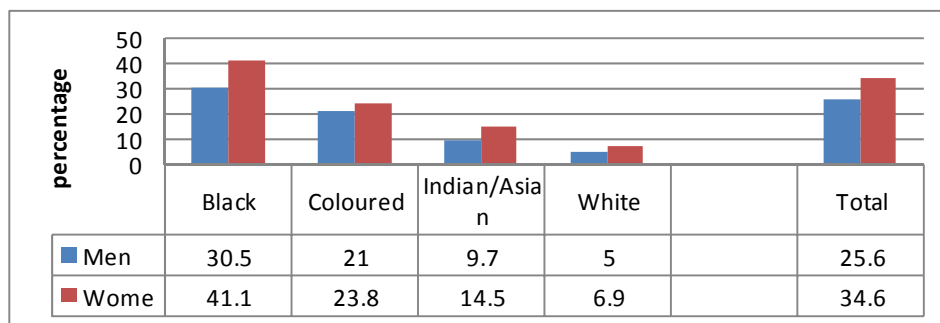
<b>Labour force</b>	<b>Age</b>	<b>Unemployment rate</b>
<b>18.6m</b>	15-64 (National)	24,7% (4.6m)
<b>2.7m</b>	15-24	49,9% (1.3m)
<b>6.5m</b>	25-34	28,7% (1.9m)
<b>5.1m</b>	35-44	18,5% (947 000)
<b>3.0m</b>	45-54	12,4% (352 000)
<b>1.3m</b>	55-64	6,9% ( 92 000)

Source: QLFS 2013:3

Unemployment problem has a youth face and this has prompted Statistics South Africa (StatsSA) to create a special category in the Quarterly Labour Force Survey to numerically capture the challenges young people face in the labour market. Approximately, of the 10.4 million young people aged between 15 and 24, 3.6 million are the NEETS “Not Employed, Education or Training” (QLFS-Q1 2013). Age considered, the “NEETS” is the “traditional” definition of youth. Race and gender considered unemployment is most felt by black women. From figure 2.3 in the next page, using the narrow definition of unemployment, the 2011 census show that the most affected by unemployment are women: 34.6% are unemployed. The rate amongst black women is as high as 41.1%. The least affected are men with an unemployment rate of 25.6%, the rate amongst white men is 5% and 30.5% for black men. Whether one wants

to interrogate the narrow or expanded definition of unemployment, consensus has been reached that with more than a quarter of South Africa’s working population not working, the unemployment rate in the country is extremely high by any definition or measure. Unemployment in South Africa is a youth problem and solution to this problem has been to deregulate the labour market and put in place a youth wage subsidy.

**Figure 2.3: Unemployment rate by sex and population group**



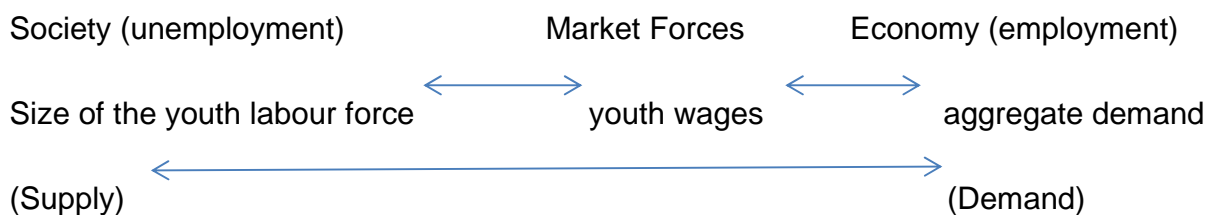
Source: Census 2011

## 2.7 Youth unemployment

The shift from apartheid to democracy or from Fordist-Keynesian to Flexible accumulation led to a rise in unemployment and inequality. In response to growing unemployment, particular youth unemployment, some developed countries started to implement wages subsidy since the 1970s (Bucher 2010). 25 years into democracy, in response to youth unemployment a youth wage subsidy is proposed in South Africa. Like many of the programmes which were implemented in the 1970s in developed economies, the subsidy programme in South Africa is conceived under the cloak of orthodox economics assumption that “either implicitly or explicitly, that labour markets cleared” (O’Higgins 2001: 42). For orthodox economics, the labour market and the

causes of youth unemployment boil down to three interrelated factors of the labour market; aggregate demand of labour, youth wages and the size of the youth labour force (supply) (Andrews, 1983; Andrews & Nickell, 1986; Rice, 1986; Banerjee et al, 2007; Bhorat & Leibbrant ,1996; Bhorat & Oosthuizen, 2005; Bhorat & Oosthuizen, 2000; Makeham, 1980; Lynch & Richardson 1982; O’Higgins, 2001) (see figure 2.4 below). Orthodox economists argue that a fall in the aggregate demand for labour will lead to a decrease in the unemployment levels. In other words, when supply increases as is the case while demand is falling, one expects wages to fall to counter the decline in demand and stabilise the market to reach equilibrium.

**Figure 2.4: Orthodox labour markets**



However, the relationship between aggregate demand and labour supply works under the assumption that labour is a homogenous commodity. Working with this assumption, Makeham (1980) study accounted for supply and demand variables in an unemployment equation, the study found that aggregate demand played a pivotal role in the unemployment rate; however, relative wages did not play much of a role. Similarly, a study conducted by Lynch and Richardson (1982) “found a statistically significant effect of the relative wages of young males when they included vacancies as their demand index. However, the significance of the wage variable collapsed when they used adult unemployment rates to capture demand. For young females, they found a statistically significant influence of relative wages in both cases” (O’Higgins 2001: 43).

The argument relating to wages is also straight forward, the more it costs to employ younger workers in relation to older workers the less likely that they will be employed. Put differently, “the higher the relative wages of young workers with respect to those of adults, the more incentives there are to employ adults as opposed to young people” (O’Higgins 2001: 43). However, this argument holds water under the assumption that young workers are close substitutes for adults, that is, they are complimentary. The last factor is the size of the youth labour force. The argument follows that, the more the youth enter the labour market as is the case, more jobs need to be created to absorb the inflow, and the likelihood that unemployment will affect the youth more so than adults (O’Higgins 2001).

From the three factors mentioned above, what is unequivocally evident is that the demand for employment is dependent on the level of economic activity measured by the Gross Domestic Product (GDP). Low economic growth translates into low or no employment growth. When aggregate demand for labour is linked to the youth labour force, using orthodox economics analysis it can be predicted that if there is a fall in aggregate demand of labour-ceteris paribus (all other variables being equal or held constant) this “will lead to a fall in the demand for labour in general and consequently for young labour” (O’Higgins 2001:40). Through this mathematical equation, all variables have to be equal. Peck (1996) however reminds us that the labour market is socially regulated and labour is not homogenous, and this is reflected in the processes of incorporation, allocation, control and reproduction. The coming section will focus on subsidy programmes which have been in place in both developed and developing countries.

## 2.8 Wage subsidy: Theory, evidence in developed countries

There are two broad categories of youth wage subsidy programs, worker-side (supply) and firm-side (demand) programs (Burns *et al.*, 2010). The former targets the unemployed and employed individuals with the aim of increasing participation in the labour market, and the latter incentivizes firms to hire the unemployed without affecting workers' wages (Burns *et al.*, 2010). The overall objective of the programmes is to get the unemployed youth to participate in the labour market or to retain them in the labour market. As covered in chapter one, the first approach seeks to make inferences based on estimates of the elasticity of labor demand, that is, to analyse the "labor demand elasticity estimates give a measure of the expected percentage change in employment given a percentage change in labor costs" (Betcherman, Daysal & Pagés 2010:711). This approach is used to predict the expected changes in employment before a subsidy is implemented.

The second approach seeks to directly assess and evaluate the effects of schemes that are already in place. When it comes to this approach "most studies examine the effect of programs targeted to the unemployed or disadvantaged workers and in many cases, estimates of effects are based on surveys to employers" (Betcherman, Daysal & Pagés 2010: 712). The effects of wage subsidies on the labour market have always been a bone of contention, and for the purpose of this research the first approach will not be addressed since it is not congruent with the qualitative orientation of the research problem and question. The second approach is more effective since it deals with subsidies that are in or were in place. The second approach grapples with issues of substitution effects; deadweight losses; training in workplaces, and recycling of workers. Most importantly, the second approach also allows us to examine the assumptions which underpin orthodox economics in understanding the mechanics of the labour market.

The first country to reflect on with regards to youth wage subsidies is the US. The country has experimented with all manner of initiatives from as early as the 1960s and 1970s (Katz 1996). To increase demand for labour the US government introduced the New Jobs Tax Credit (NJTC), a firm-side wage subsidy programs between 1977 and 1978. During the same period the Canadian government in 1978 also introduced a demand driven firm-side subsidy called Employment Tax Credit Program (ETCP), the same year the US replaced the NJTC with the Targeted Jobs Tax Credit (TJTC) (Burns *et al.*, 2010; Katz 1998). The Canadian programme focused on individuals who had been unemployed for more than eight weeks. The Canadian programme involved firms to employ individuals for no less than three months in a temporary yet permanent job. The TJTC in the US which was in place between 1978 and 1994 was a targeted programme and it focused on the “economically disadvantaged youth, poor Vietnam veterans, handicapped individuals receiving vocational training, and social assistance recipients” (Burns *et al.*, 2010:4).

The programmes in Canada and the US were not as successful as anticipated (Smith 2006). The NJTC is estimated to have had an economy-wide employment effect of 0.2–0.8%. Burns *et al.*, argue that subsidies which do not clearly define a targeted group are ineffective, “because it is possible that at least some of the workers hired under the auspices of the program would have been hired anyway”, in other words the implication is deadweight losses (2010:10). The opposite is also possible, programmes with clearly defined targeted groups can also turn out to be unsuccessful. With regards to the NJTC a design flaw was blamed for the ineffectiveness, due to a threshold placed on firms, bigger firms could not exceed the limit. Targeted subsidies attracted big firms which are well resourced and operate on economies of scale. The smaller, often less resourced firms “found the administrative and compliance costs prohibitive, particularly those costs relating to confirming the eligibility of prospective employees” (Burns *et al.*, 2010:10).

Another contributing factor for failures of the programmes in the US and Canada is that firms perceived subsidy amounts as not being reflective of the compensation with regards to *hiring and training when it came to “risky candidates”* (Burns *et al.*, 2010 [italics for emphasis]). Burns *et al.*, (2010) argue that the underlining and implicit inference is that stigmatisation is an issue, and this was prevalent in targeted programs than untargeted programs. This is supported by Burtless (1985) who reported on the outcome of employment rates between the treatment and control groups of the TJTC program. The former group was given certificates reflecting their disadvantaged status and the latter group was not. “Employment rates among individuals in the control group were found to be significantly higher than among those in the treatment groups, which Burtless (1985) attributed to the stigmatizing effect of the vouchers” (Burns *et al.*, 2010:10).

Smith (2006) argues against demand oriented wage subsidies since they have administrative and cost implications. A demand side subsidy implemented in Hungary during the mid to late 1990s had no impact, the Australian version had “severely limited outcomes”, and the Polish ‘Intervention Works’ programme recorded a “negative effect” which was “due to biased state administration” (Finn & Ranchhod 2014:8). In fact, in the case of the Polish programme, “employment prospects of workers actually worsened after participation, which arguably related to the fact that the labor offices would first refer workers with the weakest employment prospects in an effort to ease the burden on the state’s unemployment insurance system” (Burns *et al.*, 2010:10) see (Burtless 1985 and Smith 2006).

There are programmes which were successful and the New Deal which was implemented in the United Kingdom (UK) stands out. The New Deal was not just a wage subsidy programme but a multifaceted, comprehensive employment support programme which involved local employment offices to help in job search. Van Reenen (2003) reports that the “New Deal” increases the likelihood of employment of young



people by as much as 20%. This is due to the wage subsidy component of the programme which is enhanced by a job search through employment offices in place. However, Van Reenen (2003) argues that the “true” effect of job assistance is likely to be higher as some of those obtaining subsidised jobs would have obtained them even in the absence of a subsidy, despite the best efforts of the employment service to minimize this deadweight.

The idea of involving local employment office and officers to facilitate in the wage subsidy programme did not start with the New Deal in the UK. After unification, a wage subsidy in Germany was introduced which required the unemployed and companies to first register at an employment office which facilitated the incorporation and allocation processes, in other words a matching process (Burns *et al.*, 2010). What the German and UK programmes suggests is that successful programmes are comprehensive in approach and they mix strategies of providing job search assistance on the one hand, job development or training on the other hand, encompassed by a temporary wage subsidy. Turkey had such a programme, it focused strongly on the social security aspect of low income earners. With the objective of stimulating investment and employment in the low income bracket, the subsidy programme in Turkey subsidised “employers' social security contributions, employee personal income taxes, energy consumption and land” (Betcherman *et al.*, 2010:710). The programme however is an untargeted employment subsidy through which companies can be compensated for land energy etc.,and not a youth wage subsidy. Let us now turn our attention to expediencies in developing economies.

### **2.8.1 Developing economies**

An analysis of wage subsidies by Puerto (2007) in developing countries with a particular focus on Latin American and the Caribbean (LAC) region is useful given that these

countries are still developing. The region experimented on three occasions, in the 1970s, 1990s, and more recently the “Extra 21” programme (Finn & Ranchhod 2014). The first badge of programmes in the 1970s was supply driven and consisted of vocational training- job specific training. In contrast to the first, the second badge which was implemented in the 1990s was more demand orientated. The programmes started in Chile with the Jovenes, this model was exported to Argentina, Columbia, Dominican Republic, Panama, Paraguay, Peru, and Venezuela (Finn & Ranchhod 2014).

The second badge of programmes was relatively successful since they managed a “return of 4% in *sustainable* employment was created compared to control groups” (Finn & Ranchhod 2014:7). Finally, the last badge of programme was the “Extra 21” and variations of the programme were implemented in eight LAC countries. Puerto (2007) reports that, demand driven programmes involving firms have yielded success, but, Argentina’s Proempleo experiment had contradictory results: “take-up of firm vouchers was low while the increase in employment was high” (Finn & Ranchhod 2014:7; see Burns *et al.*, 2006). This offer credence to Levinsohn *et al.*, (2014) and Smith (2006) findings that programmes that deliver gains are supply orientated (Finn & Ranchhod 2014).

Finn & Ranchhod (2014) argue that the relative success of programmes in LAC countries, notwithstanding the region being ranked third in the world on the employment rigidity index is encouraging. This indicates “that the presence of highly-regulated markets is not an insurmountable obstacle to the implementation of programmes” (Finn & Ranchhod 2014:7). Furthermore, “fewer than half of all programmes were cost effective and successful, an indication that interventions need to be considered very carefully” (Finn & Ranchhod 2014:8). Ultimately, when looking at the Youth Employment Inventory, a database released by the World Bank, it indicates that 39% of the initiatives were skills orientated programmes, compared to the 12% which were subsidy interventions (Betcherman *et al.*, 2007). This suggests that skills development and

vocational training and not wages is the main concern, consequently, this should be an area of focus. Skills training is particularly important within a context of capital yielding power in defining what a skill is, and how much it is willing to pay for the desired skill. From the logic of flexible accumulation, a skill is upgradable, portable and is relevant as long as it is profitable for capital.

## **2.9 Conclusion**

Where wage subsidies were successful, three conclusions can be drawn in both developed and developing countries. First, funding and finance play a crucial role in the programme's success. Second, subsidies work better in flexible labour markets, however, labour market flexibility is not a prerequisite for success. Last, local context and not the type of programme is important, "more specifically, wage subsidies tend to be most successful when they are woven into 'comprehensive packages' – that is, programmes that include other facets such as training" (Finn & Ranchhod 2014:8). Using Peck's (1996) theoretical framework this study will show how the Work and Skills Programme, the equivalent of the youth wage subsidy incorporates, allocates, controls and finally potentially reproduces labour such that it addresses the Decent Work Agenda. The next chapter discusses the methodological approach which informs this study.

## Chapter 3

### Methodology

#### 3.1 Introduction

In this chapter I will discuss the research methods which were employed in this study. The method employed was qualitative and also involved me attending seminars and colloquiums which covered the subject matter. The first section will discuss the type of interviews and documents that are used in the study and reasons why they were used. The second section will discuss the sample and site of the study. The last section will address challenges and the political climate which influenced processes of data collection.

A youth wage subsidy in South Africa has been debated, insofar as studies are concerned, quantitative computer models have reconstructed potential effects on employment levels. Shifting away from quantitative analysis this study seeks to contribute to the qualitative gap identified in studies and debates. Therefore, this research employed qualitative method approaches of Critical Discourse Analysis (CDA) and interviews. The methodological approach in the form of interviews and discourse analysis I used to answer the research question places “emphasis on processes and meanings that are not rigorously examined or measured in terms of quantity, amount, intensity or frequency” (Denzin & Lincoln 1994:4).

The aim of a qualitative approach is to deconstruct the socially constructed phenomena of labour markets. I chose the qualitative approach to counter the limitations of a quantitative approach. Denzin and Lincoln argue that the aim of quantitative research is

to investigate the casual relationship usually in numbers which exist between variables. Denzin and Lincoln posit that quantitative approach “seek a nomothetic of ethic science based on probabilities derived from the study of large numbers of randomly selected cases” (1994:5). In other words, quantitative research investigates data in the form of numbers while qualitative research operates in the realm of data presented in language or words.

While numbers in the form of statistics are used in this study to construct the unemployment picture, these numbers tell us the time and hide the mechanics of how the clock reached the time, in other words, how components are connected. Statics are socially constructed, they therefore fail to show us how the clock works. The present research study focuses on the youth wage debate on two levels, nationally and locally. The literature review in chapter two has already touched on wage subsidies globally, chapter four addresses the national discourse on youth wage subsidy through CDA of the labour market discourse. At a national level CDA was used to analyse documentary material in the form of policy documents, academic articles, research reports, annual reports, and debates in the mass media and newspaper articles to construct the national discourse. At a provincial level, this study focuses on the mechanics of the Work and Skills Programme (W & SP) in the Western Cape. The focus on the W & SP is on processes, operations and management of the programme when it endeavors to address youth unemployment. In other words, whereas chapter two looked at global developments and how wage subsidies fared. Chapter four looks at how these developments influenced the national discourse.

Qualitatively and in line with Peck’s theoretical framework, the study focuses on the processes of incorporation, allocation, control and reproduction of labour which are not a merely causal relationship in relation to the Decent Work Agenda. As such, this study focuses on the learners as beneficiaries of the programme, their experiences of work and how they got to be employed. These aspects cannot be investigated quantitatively,

as such, the focus areas of this study necessitate a qualitative approach on the one hand, anchored by reading quantitative data on the other- through extrapolating data from secondary surveys and documents.

The qualitative approach was informed by the theoretical framework of the study, mainly Peck's (1996) social regulation analysis of the labour market and the Decent Work Agenda. Peck's framework is interpretivist in orientation, and it fits well with the qualitative methodology approach. Interpretivism argues that social phenomena like crime, labour unrest or labour markets are distinct from natural phenomena. Denzin and Lincoln (1994) are of the view that a qualitative approach is interpretative by its very nature and as a social scientist one has to describe, decode and explain phenomenon. Differently put, a social scientist has to make sense of what people are saying and assess the different meanings they attach to social phenomena. Social scientists endeavors to report what people situated in varying contexts say about their realities.

### **3.2 Interviews**

Qualitative research approach has many tools that can be used to collect and analyse data. Some of the techniques that can be employed are historical research, ethnography and interviews. The primary qualitative research technique employed in the present study was interviews and document analysis. There are a number of interviews which are used in social science research. These include unstructured interviews, semi-structured interviews, structured interviews and group interview or focus group. In social science it is permissible for a researcher to use a combination of all the types of interviews. May argues that "while these [approaches] characterizations appear to demarcate strictly one method from another, a research project may not simply be one of the following, but a mixture of two or more types" (2011:132).

Welman *et al.*, (2005) argue that on the extreme right of a continuum unstructured interviews are found. They are usually used when one conducts an exploratory study. Initially, one has to identify important variables, formulate penetrating questions on them and hypothesis the phenomena for future and further research. In the middle of the continuum, semi-structured interviews are found; unlike an exploratory study, the researcher who employs semi-structured interviews has themes and from them has a list of questions which allow for probing during the interview. Although there is a list of questions, “some questions may be used in particular interviews, given the specific organizational context that is encountered in relation to the research topic” (Welman *et al.*, 2005:166). Thus, this technique is flexible and versatile. On the extreme left of the continuum, structured interviews are to be found. Questions in structured interviews are listed and follow a particular order. There is little room to deviate from the order or to probe further as one can in unstructured interviews.

I employed in-depth interviews, semi-structured in-depth interviews, and 3 paired interviews with a semi-structured approach (see appendix 3). The primary intention of interviews was not to reveal the statistical quantitative facts of youth unemployment as these facts are readily available in the secondary data. The purposes of the interview were to capture the learners “experiences, opinions, values, aspirations attitudes and feelings” with particular focus on the four pillars central to the concept of decent work and try understand the dynamics in the W & SP (May 2011: 131). The advantage and motivation of using in-depth interviews is the degree of flexibility which did not limit probing the concept of decent work while the semi-structured nature offered the opportunity to compare learner’s answers. It was not my original intention to conduct paired interviews, but I took the decision to do so during the study; the reasons for this decision are given in chapter six. However, paired interviews ‘teased out’ tensions and discrepancies and brought to the surface the notion of “skill”.

I compiled four different set of interview questions (see appendix 3): for the Minister, DEDAT officials, company representative and learners. The interview questions were open-ended this allowed for probing. The term, 'decent work', with exception of Minister Allen Winde and Ms Loghdey's interview, was not mentioned. However, the questions posed covered the concept. The questions for the learners were divided into three sections. The first section captured the first pillar of decent work which is employment, and the two processes of incorporation and allocation into the labour market. The second section dealt with the second and third pillars of decent work, and also covered the third process of the social regulation of the labour market. The last section dealt with the reproduction of labour and social dialogue.

The questions for management where also divided into three sections. The first section covered what the company does, labour processes and the skills required. The second section covered the second, third and fourth pillars of the Decent Work Agenda. The last section covered the last pillar, social dialogue. The questions for the Department of Economic Development and Tourism (DEDAT) officials focused on the operation, administration and genesis of the programme. Questions for Minister Winde were concerned with youth unemployment. He was also asked why he is called Minister and not Member of Executive Council (MEC).

### **3.3 Documents**

In addition to interviews, secondary data more specifically public documents in a form of annual reports from DEDAT, policy documents, academic articles, speeches, media reports (newspaper articles), and national statistics (Statistics South Africa) were used for discourse analysis purposes and to supplement interviews. I accessed or collected documents from StatsSA, DEDAT and some newspaper documents online by downloading them. I relied on annual reports from DEDAT when it came to employment



data on the W & SP, and national statistics offered me employment data both nationally and provincially. Data from DEDAT and StatsSA documents offered me numbers, how many people are employed or unemployed, their race, gender and age. I must mention that DEDAT also uses StatsSA data. Data used from StatsSA were from three sets of documents; Census 2011 and quarter 1 and 3 of the 2013 Quarterly Labour Force Survey. StatsSA documents also formed part of the literature review in chapter two.

I used the census 2011 because it is rich with data, and quarter 1 and 3 because it reflects the time I started writing the research proposal and the time I was in the field conducting interviews. The point of these documents was not for comparison either on quarter-to-quarter, or year-on-year, or which data set is more reliable than the other. The aim of the data was to paint the unemployment picture in South Africa. However, painting this picture is not enough since this does not tell us why people work or factors which influenced people to work-why the painting is the way it is. From the data we learn that unemployment in South Africa is structural and hovers around 25%. Changes or shifts around the 25% figure reflect internal cyclical shifts, for example retail employment data will be positive between the busiest months of October and December- people do most shopping and retailers needs more staff. This number will be negative from March onwards because retailers needs less staff because of less shopping.

Although data from DEDAT and StatsSA was not used for comparison purposes, the data alone was insufficient to answer the research question. Policy documents, speeches, media reports, academic articles and interviews were used in conjunction with DEDAT and StatsSA data to answer the research question. I used public documents from organisations which were in conversation with each other at particular in history. I deliberately omitted documents based on one or two grounds; documents which tried to make the discourse more about the organisation and less about the discourse, and documents which repeated what was already in the discourse. For

example documents from the Centre for Development and Enterprise (CDE) or the Free Market Foundation were left out because of one of the two reasons. Documents were handled following Scott (1990) quality control criteria which stress authenticity, credibility, representativeness and meaning of the data- secondary data is from genuine and official credible sources. The technique of analysis and interpretation used on the documents was CDA. The documents provided me with clear and comprehensible secondary, qualitative and quantitative data.

### **3.4 Sample and research site**

The sample size was initially 30; however, it was reduced to 12 because of time constraints and the unavailability of participants. The change in sample was countered by employing CDA on policy documents. The sample comprised of the Minister of DEDAT in the Western Cape, Allen Winde; the director and programme manager of Skills Development and Innovation, Rahima Loghdey; the deputy director of Work and Skills programme (W & SP), Mark Apollis; Raynier Deysel of Precision Press and two learners; Ruth Michael of Hisense and two learners; and finally two employees from the Workforce Group. No face-to-face interviews were conducted with the DA's representative; however, a list of questions was sent via email to the party and they responded through Reagen Allen, the Public Liaison Officer in the DA leader's office (National Head office). The questions were about the party's support for the wage subsidy and the strike at COSATU House and not about the programme.

With the exception of the DA, the above sample was picked by DEDAT, as such, it was a snowball sample. In snowballing, participants are selected using networks (Kumar 2005.) In the present study, the point of entry, or my network, was DEDAT. The department is responsible for the W & SP, they have a database of the companies that are involved in the programme and they helped me with the identification, introduction

and facilitation of participating companies. Access to this list of companies was not forthcoming. Access with DEDAT was negotiated over a period of two months and it involved me sending a summary of my research question, a list of questions, the sectors I wanted to research and the number of learners I wanted to interview.

After much consideration of the sectors that I wanted to research, I decided to focus on the manufacturing sector and this decision was influenced by two reasons. It was a sector with which I was familiar and the industry has been in decline with massive job losses in the sector. As mentioned, the result of employment decline stakeholders in the sector experimented with wage flexibility by lowering the minimum wage of new employees by 30% and monitoring its effects in relation to job creation over a period of five years (South African Chamber of Commerce and Industry 2011). The experiment was not successful and thus, I perceived it to be an opportunity to test the mechanics of the programme using a different industry within the same sector, manufacturing. The electronics and automotive components industry of the manufacturing sector were the two case studies that I examined.

### **3.4 Case study**

A case study is an analysis of a single case. It must have specific terms of reference in order to be constituted as a case. One of the key features identified by Winegardner of a frame of reference is boundary; he argues about the “intrinsically bounded” of a case (2005:7). The case boundaries in this research were the Western Cape as a province, and within the province, local boundaries were Bellville and Atlantis respectively. When a case is bounded it invariably has limitations and it is context based; in this case, the context is labour market as locally constituted in the Western Cape. As my study forms part of a mini-dissertation, case studies were picked, “not for statistical representativeness but for theoretical relevance” (Burawoy 1985:17). Focusing on

theoretical relevance illuminated and brought to the fore the issue of skills as a main and central argument.

By focusing on theoretical relevance and not statistical representativeness, the two cases in the electronics and automotive components manufacturing sector offered me an opportunity to learn from an unbiased position and consequently, offered me some basis for comparison considering the similarities in the industry within a context of local labour market. The cases ultimately ended up illuminating “the forces that work in society as a totality rather than to reflect simply on the constancy and variation of isolated factory regimes within a society” (Burawoy, 1985: 17).

The first case was Precision Press. It is a component manufacturing company and it was founded in 2004. On their website the company prides itself as having “carved a niche as a reliable supplier of safety-critical automotive components for a number of the leading marques” (Precision Press 2013). The factory is based in Bellville which is located in the northern suburbs of Cape Town, about 20 kilometres outside city centre. The second case was Hisense which is a Chinese electronics manufacturing company. It had a television and fridge factory in Atlantis. Atlantis is located 40 kilometres north of the Cape Town Central Business District (CBD). Unlike Bellville, Atlantis is not a suburb, but a Coloured township. The stark contrast between Bellville and Atlantis during my field work was evident. Atlantis has approximately 210 000 residents and its high levels of unemployment, lack of housing and crime are major challenges in the area (census 2011).

Due to the travelling involved between Atlantis and Bellville, DEDAT arranged all the travelling logistics; I paid for my flight ticket and accommodation while at Cape Town. To get around the Western Cape I travelled with Byron Jacobs who also acted as an interpreter. During the time I spent with him, we had a lot of informal conversations,

particularly about youth unemployment and the W & SP. He was most informally informative. I took the opportunity while travelling to ask questions and inquire more about the programme and places we visited. One conversation we had was on Atlantis, he informed me that the Coloured township was established during the 1970s by the apartheid government as an industrial centre. The Coloured element will be discussed in chapter 5, it is not used as a “distancing” tool from blacks, but it has implication on race relations in the country- all context based.

### **3.5 Data analysis**

Interviews were audio-recorded using an application on my BlackBerry phone. Furthermore, notes were made during the interviews as well as after the interviews when I was alone. The longest interview which lasted for an hour was a paired interview conducted with Minister Allen Winde and Rahima Loghdey. The shortest was 10 minutes. The interviews were listened to after the sessions at the office space that DEDAT had provided me with for the duration of my stay. The interviews were transcribed a week after the interviews were conducted. The themes that dealt with the concept of decent work were coded and a list of questions were generated from them. The respondents were required to reflect on the codes through the questions posed and talk about their experiences. Upon analysing the data closely, a further theme on skills emerged and it anchors my argument in relation to wages.

The data on the first four themes was analyzed by employing content analysis. The fifth theme on skills was analysed from a theoretical point of view using social regulation tenets and CDA. As a result of pre-coding the themes, I just had to find a pattern in the answers, classify them and place them into a theme. I used content analysis as set out by Holsti (1968) and Remenyi (1992) for this part. Content analysis is “any technique for making inferences by systematically and objectively identifying special characteristics of messages” (Holsti, 1986: 608). The process of finding patterns and classifying the data

is called encoding; this was possible as the themes were already coded. The last stage concerned itself with the interpretation of the patterns in relation to the themes. During this stage I looked for disparities and contradictions in the data; this will be discussed and demonstrated in chapter five.

Doing content analysis from an audio record was efficient. The data file which was transferred from my phone to the computer offered access to different parts of the interview and the analysis was flexible. An advantage an audio recorder has is that it “guards against interviewers substituting their own words for those of the person being interviewed” (May 2011: 152). All my participants did not wish to remain anonymous and some even insisted I use their names. Consequently, I did not have to follow various anonymising procedures for ethic purposes, however, I used pseudo names to protect their identities.

Whereas I employed content analysis to analyse the interviews, this technique had limitation when it came to policy documents and newspaper reports. The limitations of this technique with regards to policy documents were addressed by employing Critical Discourse Analysis (CDA). CDA is an “analytical research that primarily studies the way social power abuse, dominance, and inequality are enacted, reproduced, and resisted by text and talk in the social and political context” (van Dijk 2000). Discourse is any practice and for this research is it spoken or written word, that individuals imbue reality with meaning (Ruiz 2009). CDA was employed with the aim of satisfying Fairclough and Wodak (1997) eight main tenets:

1. CDA addresses social problems- unemployment, inequality, poverty
2. Power relations are discursive- through policy documents
3. Discourse constitutes society and culture- alliance complexities and business
4. Discourse does ideological work- orthodox vs unorthodox

5. Discourse is historical- see chapter 2 & 4
6. The link between text and society is mediated- see first findings chapter,4
7. Discourse analysis is interpretative and explanatory- see chapter 4
8. Discourse is a form of social action-see chapter 4

The above tenets reveal that the disposition of social actors within the sociopolitical which to a large extent is determined by their proximity to power reflects their interpretation of their reality. Social actors which exercise and yield power for this study are State, capital and organised labour. The main social phenomenon being studied in this research is youth unemployment, and it is interlinked with race, gender, poverty and inequality. Power relations are between organised labour, business and the State. There are differences in the arrangements of power relations between these social actors during apartheid and post-apartheid. Currently the black numerical majority has the political power, however, there are disadvantaged in the labour market, due to a large extent, a lack of economic power. Discourse on unemployment is historical, and the link between text and society is mediated through the print media which frames the argument. The interpretative and explanatory tenet is where I come in, and in the process I too am demonstrating social action and power. These tenets are demonstrated in chapter four. Most crucially, through a process of satisfying these tenets, this allowed me to take position in the discourse.

### **3.6 Reflecting on rapport**

Rapport was crucial in this research and it was the invisible thread which kept the research together in some difficult moments. Rapport is the “development of a mutual trust between the parties that enables an interview to flow more freely” (May 2011:143). Due to the type of sampling technique that I employed, I did not personally build a rapport with participants; that was done by DEDAT and in particular Genevieve Rhode.

The reason I did not build a rapport is that my access to companies was negotiated by DEDAT as they were my point of entry and in the process of them negotiating with the companies a rapport was built on my behalf. According to Spradley (1979), there are four processes or stages involved when a rapport is being built.

The first stage is the *apprehension* stage. It is the stage where the interviewer and the interviewee first meet. To break the ice during this stage, May (2011) suggests that descriptive questions should be asked which will take participants on a 'grand tour' and which will eventually lead to a 'mini tour'. When the 'tour' is done, the second stage, the *exploration* stage starts. During this stage the researcher still asks descriptive questions, but more specific to the research topic. Spradley (1979) believes that the third stage, the *cooperation* stage, is when the interviewer and interviewee clearly know their roles in the interview process, and know what is expected from each other. Finally, the *participation* stage is when both parties, interviewer and interviewee, agree to take part in the interview and the process will depend on the disposal of time that both parties have.

The intersection between rapport and reflexivity is evident in a sense that the former was crucial in evaluating the latter since it was built on my behalf. Research is a knowledge creation process that involves subjects. It is thus imperative that I had to evaluate and reflect on my role in the research process in relation to power relations that were perceived to be present. In the four stages on building a rapport, set out by Spardley (1979), I became involved in the corporation and participation stages. Unfortunately, I was not afforded the opportunity to take part in the first two stages which are crucial in ironing out the power differentials. The consequence of not ironing power differentials was an issue when the question of union involvement was raised, this matter is addressed in chapter six. However, at no point did I have the urge to ingratiate towards any one.



At best, the first two stages of building a rapport were literally “negotiated” with a brief introduction which lasted a few minutes, and it involved explaining who I was and what I was doing. I am small built and at first sight I am regularly mistaken for a first year student; the occasional request to see my ID is common when I am out. My primary concern was whether the participants who were all older than me would take me seriously. I negotiated this concern by dressing formally; however, I did not wear a tie. I was aware that the participants knew that I was from Pretoria and that I was referred to or introduced by DEDAT as a researcher and not a student. When Ms Rhode called Mrs Michael, for example, to reschedule our appointment she said, “Tumi, the researcher from Pretoria.” When I met Mr Deysel he said, “You are the researcher from Pretoria.” The word, researcher as opposed to student played a huge role in the facilitation of the rapport and it was complemented by my clothes.

As such, my position in the research process was a researcher from the University of Pretoria, not a student. On the other hand, when negotiating access with DEDAT, Ms Loghdey and Mr Appolis both knew that I was a student from the University of Pretoria doing research for my dissertation. That is how I introduced myself to them during our first round of communication. Granting me access and for DEDAT agreeing to assist me with company access, transport around the Western Cape, and giving me office space was largely due to the fact that Ms Loghdey comes from a background in academia. All these provision were accorded to me largely because of being a student not a researcher. This would have been different if I was an inspector on behalf of the Department of Labour, DEDAT as a “middle man” would be cut and I would go straight to companies which are listed as participating in the W &SP.

### 3.7 Ethics in practice and challenges

Any research which involves humans or animals has ethical implications by virtue of participants. The participants, in this instance, humans, were all over the age of 18 and were not subjected to any form of harm: emotional, physical, discriminatory or otherwise. They all agreed to the interview being recorded and were given a copy of the consent form which also explained their rights; I also reminded them of their rights before the interviews. The individuals gave consent prior to the commencement of fieldwork. A written consent letter together with a list of questions and a mini proposal was sent to DEDAT explaining the objectives of the study (see appendix 4). DEDAT then sent the list of questions with the consent forms to Hisense and Precision Press to give to each learner and I later sent them an ethical clearance letter from the Ethics Committee of the University of Pretoria.

The institutional ethical code of conduct set out by the University of Pretoria was adhered to at all time. Guillemin and Gillam identify two types of ethics in research, namely, “procedural ethics and ethics in practice” (2007:167-187). The former constitutes the Ethics Committee granting me approval to conduct the research. Ethics in practice are “ethically important moments” in which I had to make calculated judgments in the course of conducting the research. These moments are not covered or addressed by “procedural ethics”, and Guillemin and Gillam (2007) are of the opinion that the gap between the two dimensions can only be negotiated by practicing reflexive research.

This research had two ethical moments in practice. First, I initially planned to use an interpreter, Mr Jacobs since I was told that most of the learners were more comfortable and had a better command of Afrikaans than English-Coloured component. The inclusion of Mr Jacobs as an interpreter had ethical implications in practice. Some of the

implications I explained to him during our informal talks while driving. All the learners accommodated me and I conducted the interviews in English, in hindsight, Mr Jacobs was not required. However, I am aware and appreciate the role that language plays in either being a facilitator or barrier; I do not think it was that much of the latter in this research. All interviews, with the exception of two, were conducted in his presence. I do not believe that his presence influenced the answers given during the interviews; not once did anyone being interviewed look towards him for approval and nor did he step in to explain a question. Strangely, Mr Jacobs's presence helped; the participants did not try to impress me by giving me what I wanted to hear, Decent Work Agenda is not concerned with what I want to hear, or a tick the box exercise. Furthermore, the fact that I sent the questions beforehand did not influence their answers. However, in instances when the learners looked at Mr Deysel either in approval or confusion, he stepped in to "assist" them.

This "assistance" was the second ethical moment in practice. I had planned to interview learners in a face-to-face, one-on-one interview. However, when I arrived at Precision Press, I learned that I would be conducting a paired interview with the learners in the presence of Mr Deysel, the manager. So, I basically interviewed three participants (Mr Deysel and two learners) in this instance, and I consider this to be a paired interview and not a focus group interview because the latter should have at least four interviewees to constitute such (Bryman 2012). The paired interview, however, had both advantages and disadvantages. Mr Deysel interrupted the interview when students looked at each other in confusion concerning issues of pay as you earn and unemployment insurance fund. As previously mentioned, while maintaining that he was merely clarifying the questions as they were 'technical' he invariably answered the questions. In this case, I could not afford participants the privacy to say whatever they wanted to say without the fear of being reprimanded or fired. I had carefully managed this interview by focusing more on skills and the pillars of decent work, and less on unions and remuneration. These aspects had to come out "naturally" and to some

extent, they did. What was clear though is that learners know little about wage deductions and contributions.

With regards to preparations, at Hisense the questions were printed out for the learners when we arrived at the factory. I had to alleviate the apprehension of one female who looked nervous by reminding her it was not a test or exam from Hisense. On the other hand, the Workforce Group representatives were the ones most prepared; they came with the list of questions and at times during their interviews they answered the questions by reading the answers they had prepared from their I-pads. They were performing for me and for this reason I decided not make use of the interview but do desktop research about Workforce Group. Minister Allen Winde was least prepared. I got to his office 30 minutes early and because of the violent protests in Cape Town that week, security was tight at the legislature building so I was subjected to a security metal detector. During the 30minute period I managed to eat a sandwich I brought and I was offered a drink. Ms Loghdey also joined us during Mr Winder' interview. Her reason for joining us was due to a "miscommunication" regarding questions for Mr Winde. Interviews were conducted at Precision Press and Hisense during working hours, Minister Winde's office, DEDAT's offices and the last one with Ms Loghdey and Mr Appolis was at a coffee shop; she paid for the coffee as I was a guest.

### **3.7.1 DA: A battle for answers**

All research work I have been involved in had challenges and there was no exception in this one. The first challenge I encountered was getting a response from the DA. After sending emails and making several phone calls, the DA's Gauteng office assured me of their willingness to participate in the research provided I sent all the necessary documents which I did. I was informed that their researches were "busy" with reports and had deadlines so I would not be able to interview them. Soon after my field work

was completed, I was told to send my details to them and they would then send a letter with all the necessary arrangements concerning the interview schedule. I did not receive a letter from the DA in Gauteng. This is from a party which prides itself in being efficient and accessible to all people.

I sensed that the DA's Gauteng office might not aid me in my research. I decided to try something unconventional; I used social media to try negotiate access to the DA. I followed Helen Zille on Twitter (@helenzille). In her capacity as Premier of the Western Cape, I was able to follow her spokesperson, Zak Mbele. By following Zak Mbele, I was able to get the contact details of Cameron Arendse, the spokesperson of the DA national leader. Mrs Zille has two spokespersons; one in her capacity as Premier and the other in her capacity as DA leader. She also has two secretaries who have respective roles and one diary manager. Phone calls and emails were exchanged between Mr Arendse and me. I also sent him the list of questions. I wanted, however, to interview Mrs Zille personally. I was told that they would look into my request and try to work with my schedule while I was in Cape Town from 10 -15 November.

Unfortunately Mrs Zille's tight schedule could not be arranged in such a way that it would fit mine nor was there time for me to interview her even after I had extended my stay in Cape Town. The DA and Premier had to stabilise one crisis after another: firstly, the succession debate between Lindiwe Mazibuko and Mmusi Maimane; secondly, the BEE and affirmative action misunderstandings in the DA; and finally, the violent protest on the 30 October in the city of Cape Town where shops were looted. These three events were happening as I was negotiating access and during my field work.

I discussed the difficulties I was experiencing with getting the DA to participate in the study with my supervisor who felt that because the DA's participation was central in the research, it was important to get their response. I was invited to a workshop on 4

December 2013 where I met Johan Mare, Helen Zille's husband. I took the opportunity to explain what had happened and what I needed and being an academic he understood the importance of the DA's response. He made a phone call, after which Regan Allen sent me an email apologising for the delays and promised to get back to me on 9 December 2013. The DA answered the questions I had sent them and emailed them back on the date promised.

### **3.7.2 The spillage of COSATU Crisis**

Like the DA challenge, getting answers from and/or appointments with COSATU was difficult, impossible. The suspension of Mr Vavi in August 2013 as a result of sexual indiscretion with a subordinate at the COSATU offices intensified a relentless battle between affiliated unions as some supported him while others did not. It is within this context that study was conducted. Although I wanted COSATU to participate in the study since the federation is at the centre in opposing the youth wage subsidy, I was unable to get a comment from them after repeated communications being sent. In fact, one email I had sent to Tony Ehrenreich was deleted without being read. For obvious reasons, the crisis in COSATU rendered communication with the federation impossible and participating in Youth Wage subsidy study was the least of federations concern.

Even though I conducted my fieldwork in November 2013 and Mr Vavi was suspended in August of the same year, by the time I went to the field the crisis in COSATU had deepened to such an extent that I had to abandon the plan of getting COSATU to participate. Countless emails and phones were made, but I received no response from anyone. Consequently, I had to change strategies and try to get access to one of the affiliates, the National Union of Metalworkers of South Africa (NUMSA). I planned to interview NUMSA officials at Precision Press; however, by the time I went to do fieldwork, an appointment with NUMSA in the Western Cape had not materialised.

Although I was unable to conduct interviews with either COSATU or any other union, a number of documents from the federation were used and engaged with.

All the interviews that were conducted are satisfactory and I am confident that the material presented in the dissertation, even with the absence of COSATU or NUMSA is more than adequate to answer the research question. This is largely due to and helped by the fact that the debate on youth unemployment has unfolded in the public eye and mainstream media. It is imperative to return to the research question that the present study answers: Does the Work and Skills Programme address the decent work agenda and what are its implications for debates on flexibility and regulation in South Africa? The next chapter is the first findings chapter and it will cover the discourse on labour market flexibility and regulation, through CDA.

## Chapter four

### South Africa's Labour Market: Squaring the Circle

#### 4.1 Introduction

This chapter provides an analysis of South Africa's political economy starting from the transitional period in the early 1990s. This chapter will show some of the consequences of early incorporation of South Africa's economy in the global economy and tease out contradictions of the language of flexible accumulation on economic policy debates. This chapter will show that the labour market in South Africa is a politically motivated structure of conflict, and the discourse on regulatory framework to manage power differentials between contending interests groups "has been more about positioning interests than about articulating empirical realities" (Bezuidenhout and Kenny 2001:1).

Presenting and using documentary material in a form of policy documents, research reports, debates in the mass media, speeches, academic and newspaper articles, this chapter sketches policy discourses which have been ongoing since the 1990s and inserts the youth wage subsidy debates within the broader labour market discourse. In this chapter, I argue that the youth wage subsidy debate has been more about consolidating and/or protecting two diametrically but interlinked interests. On the one hand protecting union membership base, and on the other satisfying economic production needs in line with the logic of flexible accumulation. The implication of my argument is that the demand orientated Employment Tax Incentive (wage subsidy) has the potential to reproduce and amplify the socioeconomic crisis of poverty, inequality and unemployment. This is because the debate on a youth wage subsidy is a continuation of a long-standing labour market discourse which has fixated on failures in



the labour market and not the contradictions which deepen the triple crisis of unemployment, poverty and inequality.

The chapter is arranged periodically, starting with 1990's debates on economic policy, moving on to policies which were implemented post-apartheid and ending with the implementation of a youth wage subsidy. You will notice that discourse around unemployment has not changed much. What has changed is the language and demographics, and due to the latter, the discourse is framed as youth unemployment, this has shifted socioeconomic goal posts from one generation to the next. The next section covers the transitional period.

#### **4.2 Negotiated transition: 1990-1996**

In 1994, Princeton professor, Paul Krugman, penned an article titled “The Myth of Asia’s Miracle”. Krugman posited that, the rise of Japan, Hong Kong, Republic of Korea, Singapore, Taiwan, industrialising Malaysia, Thailand and Indonesia was as a result of clear economic policy which was linked to social policy and labour market regulation. Asia’s ‘miracle’ economic growth was possible because authoritarian regimes managed to increase labour force participation and productivity. Labour force participation or inputs and productivity or outputs are what Krugman calls the “sum of two sources of growth” (1994:66). What authoritarian governments did was give life to this sum or formula with clear measures, roles and responsibilities for every stakeholder.

To increase labour force participation States focused on education and infrastructure or what Krugman calls physical capital-machines, buildings, roads, housing, and so on. To increase productivity, capital invested in technology and new machinery. This is an acknowledgment that labour is only one of many contributing factors towards inputs.

“Workers may produce more, not because they are better managed or have more technological knowledge, but simply because they have better machinery” (Krugman 1994:67). A man in bulldozer can dig a ditch quicker than one with a shovel, not because the former is more efficient than the latter, but because he just has more capital to work with (Krugman 1994). For Krugman the increase in productivity was driven by capital investing in technology and infrastructure development. Krugman argues that the Asian myth thought to be a miracle, was a coherent connection of inputs or supply, outputs or demand, and aggressive government intervention. However, he forgets to mention that in most of these Asian countries, trade unions were either banned or non-existent, and wages were artificially kept low by the State. Simply put, the Asian miracle was a sacrifice of a generation for the next generation to prosper.

The same year Krugman’s article was published South Africa started its democratic journey with shackles of apartheid around its ankles. Generations of the Black majority had already been sacrificed, and 1994 offered an opportunity for the “born free” generation to prosper. While strides have been made in poverty alleviation through social grants system, unemployment is arguably the most pertinent problem South Africa has to address urgently. The importance and urgency of solving unemployment should be viewed within a context of a young population in South Africa: “almost one in three or 29.6% of the population of South Africa is aged between 0-14 years and a further 28.9% is aged between 15-34 years” (Census 2011:28).

According to Terreblanche (2012) the supply of labour in 1970 was in the region of 10 million, with only two million people unemployed. Forty years later when one looks broadly at the quantity of labour supply in 2011, out of a working population (aged 15-64) of 33,2 million, more specifically 13,2 million people were employed. The combination of employed and unemployed people which is referred to as the labour force was 18, 8 million, and of that number, 5, 6 million were unemployed. When using the narrow definition of unemployment, 29.8% of people are unemployed. However,

when discouraged work seekers are accounted for in the labour force, the expanded definition of unemployment reveals that 40% or 8.8 million are unemployed Census (2011). Additionally, every year, at least 500 000 youths join the labour market due to a leakage in the education system.

The quality of labour supply reveals that, of the 1, 2 million learners who started school in 2002 more than half did not reach matric. Out of a total of 654 723 who were in matric in 2013, 562 112 were full-time candidates. Of the 439 779 who wrote in 2013, 30.6% got university exemption (John 2014). Those who dropped out of the schooling system between 2002 and 2013 or do not get into tertiary institutions because of limited finances or cannot find work after matric increase the NEETS category. Approximately, of the 10.4 million young people aged between 15 and 24, the NEETS “Not Employed, Education or Training” constitutes 3.6 million. Simply put, 3.6 million young people are not employed, not in education or receiving any training (QLFS-Q1 2013). Of the unemployed, 40% are new (mostly youth) entrants into the labour market, and 60% of those who have been unemployed have been unemployed for more than a year (COSATU 2010).

Furthermore, concern has been raised that even though the pass rate has increased rapidly, this is within a context where the pass rate is 30% in some subjects and 40% in others. As Jonathan Jansen points out, “meaningless as a simple pass might be, the ‘matric’ certificate as it is used to be called is still the cut-off point for basic jobs, whether that means flipping burgers at a fast-food joint or working as a cashier in a clothing shop” (Jansen 2014: 19). In light of the above, the quality of labour supply is inadequate even for a developing economy. The next section will plot and show how we got to be where we are now.

The debate on labour market flexibility was sparked by early 1990s debates on macroeconomic policy for post-apartheid South Africa. At the time, the Democratic Alliance (DA) did not play a role since there was no party called the DA. The first contribution to the debate came in the form of a report prepared by the African National Congress (ANC), Congress of South African Trade Unions (COSATU) and researchers known as the Economic Trends Research Group after a conference convened in Harare in 1990. In the report, with no mention of labour market rigidity or flexibility it was proposed that the State commits itself to developing a high employment, high wage and high productive economy, with nationalisation anchoring State policy and organised labour being part of conception and implementation of such a policy (ANC 1990). The report vehemently opposed deregulation and privatisation, it argued that:

The current state (apartheid state) strategy of seeking to create employment through deregulation and privatisation is not a solution and must be opposed. The democratic state would address employment creation through public works programmes... retraining and the deployment of resources from apartheid-oriented projects into employment-creating economic activities.(ANC, 1990: 12).

Policy conception in this early phase of the discourse sought to use the labour market to address deep structural inequalities caused by colonialism and apartheid. Implicitly this meant that the State had to intervene in social reproduction through minimum wage mechanism, and economic production through employment programmes. In essence, the State was encouraged to intervene in labour market regulation. To achieve the proposed from the Harare conference report, another report was released in 1993 by the Macro Economic Research Group (MERG)<sup>2</sup> titled *Making Democracy Work*. The

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<sup>2</sup> MERG consisted of 13 research teams. It formally aligned itself with the democratic movement and took the economic policy goals of the ANC and COSATU as its starting point (MERG, 1993:1-2). Research members included Trevor Bell, Rob Davies (Trade and Industry minister), Ben Fine, Vishnu Padayachee, Alec Erwin (former Minister of Trade and Industry) and Maria Ramos ( CEO of Absa group

report foregrounded labour market policy on labour supply, with a focus on education, training of workers, a strong skills base, and a national minimum wage. MERG argued that analysis of unemployment should face the harsh reality of the apartheid government's failure to satisfy both the supply and demand of the economy. MERG argued that apartheid failed "to sustain reasonable levels of aggregate demand, and [the failure] of public sector investment in appropriate projects and the education of the labour force" (MERG, 1993:154). MERG's policy proposal introduced elements of a regulated labour market with the State playing an active role in the reconstruction of society and the economy; it "criticised neo-liberal models which assume that as real wages fall employment increases" (Bezuidenhout & Kenny 2000:5; MERG 1993:152).

MERG's recommendations were taken lightly by the ANC due to tensions between the latter's and Department of Economic Policy (DEP) (see (Padayachee, 1998; Marais, 1998). The third contribution was made by the Industrial Strategy Project (ISP)<sup>3</sup> which viewed flexibility as a way forward for South Africa in light of global developments, specifically the embracing of neoliberalism. Using the manufacturing industry as a case study, ISP "saw "flexible production" as key to strategies for economic restructuring (Bezuidenhout & Kenny 2000:6). A distinction which can be drawn between MERG and ISP is that the former pulling in a regulation direction articulated their proposal at a macro level privileging history, and the latter advanced it on a micro level in a flexibility direction in line with global developments. Additionally, ISP's focus was on improving productivity to be global competitive, only then it was argued would wages, skills and

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Barclays). MERG later became the National Institute for Economic Policy (NIEP). " (Bezuidenhout & Kenny 2000)

<sup>3</sup> In 1990, COSATU commissioned researchers to examine the South African manufacturing industry for industrial policy purposes. ISP introduced the word flexibility in the debate. " (Bezuidenhout & Kenny 2000)

employment levels improve. ISP was of the view that if productivity was competitive, this would solve labour supply and would have a knock-on effect on wages. ISP's policy proposal in retrospect drew on Harvey's (1990) notion of flexible accumulation, with an implicit assumption that some flexibility is good and would lead to competitiveness. With regards to factors which influence labour supply, little was contributed by ISP.

In reviewing and subsequently critiquing ISP's work, economist Nicoli Nattrass (1994) cautioned that restructuring and flexibility could lead to an increase in unemployment and a drop in worker participation. Nattrass' critique was counted by one of ISP co-authors, Raphael Kaplinsky, he argued that their approach would favour "labour-friendly approaches to flexibility" as opposed to "labour-unfriendly" approaches (Kaplinsky, 1994:535). ISP published their final report in 1995 (see Joffe *et al.*, 1995), it advocated "intelligent production". Intelligent production was a recognition that problems in various sectors of manufacturing industry were due to archaic and despotic managerial techniques characterised by "supervisors who frequently believe that workers do not have insights to offer" (Joffe *et al.*, 1995: 86; 194-5). This attitude was counter to tenets of flexible accumulation.

During the same period that that ISP and MERG were articulating their policy proposals policy planners and business in De Klerk's transition government were flirting with notions of deregulation, and policy direction in the ANC was being contested (Bezuidenhout & Kenny 2000). In the ANC, the tripartite National Manpower Commission (NMC) proposed that small business be exempted from certain parts of the labour law to enhance employment and growth in the sector by arguing that:

A country's economy cannot function properly without a reasonable measure of regulation, the application of regulations can, under certain circumstances, actually have an inhibiting influence on the development of private entrepreneurship, the promotion of competition and the creation of job opportunities. It is important that *all such inhibiting*

*factors be removed or reduced*, where possible, in order to promote the expansion of the business sector... The needs and interests of the unemployed should also be considered in addition to the interests of employers and employees (NMC Project Committee on Small Business, 1990: 2; italics added).

What these certain circumstance or inhibiting factors were was not clear and there was no evidence provided to support deregulation by NMC. While in 1993, when the Normative Economic Model (NEM) suggested deregulation, they viewed centralised bargaining as rigid and giving rise to “unjustified” high wages. They argued for a ‘natural’ labour market based on internal forces of supply and demand with the state playing no active role. The NEM viewed labour as a commodity and they was argued that:

A centralised wage determination process creates *rigidity in the labour market*, because it *impedes labour mobility*, does not take into account the production performance and profitability of individual enterprises and seeks to involve the entire business sector in wage disputes (NEM 1993: 48-49; italics added).

At this period the discourse on labour market flexibility oscillated between the State being the enemy of growth and progress on the one hand, or an instrument to be used for redress. Serious questions were being asked of the role the State in post-Apartheid South Africa in the labour market. No evidence was put forward to support claims and arguments of how labour is flexible or a correlation between production and wages. Labour market discourse at this point was less interested in finding solutions to unemployment and more interested in what was fashionable at the time. It is not surprising that up to this point in the discourse there was an attraction towards neoliberalism, since the theme globally was flexible accumulation with the buzzword being globalization or neoliberalism. However, going against the hegemonic neoliberal current, in 1994, the ANC won the elections based on a welfare orientated,

Reconstruction and Development Programme (RDP) policy, of which COSATU made significant contribution to its drafting.

With the formation of COSATU in December 1985, the role of the labour federation were two-pronged, advancing workers' issues on the shop-floor and doubling up as liberation vehicle in the absence of the ANC while it was banned (Buhlungu 2005). RDP was a welfare and redistributive oriented policy which set out to reconstruct and develop a new democratic South Africa (Adelzadeh & Padayachee 1994). This was a perfect policy for any liberation movement to win elections with the help of organised labour at the time. RDP positioned the State centrally, particular in rebuilding society and intervening in the supply, reproduction side of the labour market- meeting the basic needs of its citizens, housing, healthcare, sanitation, education and so on.

Two years into democracy and seemingly in response to RDP, the first sign of resistance by business was through a document titled *Growth for All* by the South African Foundation (SAF)<sup>4</sup>. This document resuscitated ISP's proposal and without equivocation SAF advocated for "labour market flexibility". Whereas ISP sheepishly apportioned blame on managerial inertia to embracing flexible accumulation for labour market problems. SAF was direct in placing blame squarely on the apartheid system as a whole. The SAF acknowledged and blamed labour market inequalities and institutional rigidities on racial policies and politics of the South African apartheid state including forced removals and land dispossession, Group Areas act, institutionalised colour bar which limited occupational/career mobility of black workers' and different dispute settling mechanisms for white and black workers (SAF 1996).

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<sup>4</sup> SAF was a powerful lobby group for big business; members included Julian Ogilvie-Thompson (Anglo), Conrad Strauss (Standard Bank), Marinus Daling (Sanlam), Mike Levett (Old Mutual), Clive Menell (Anglovaal), Anton Rupert (Rembrandt), David Brink (Sanlam) and Warren Clewlow (Barlows) (Baskin, 1996:19) (Bezuidenhout & Kenny 2000:9)



Notwithstanding apportioning blame on apartheid as a system, SAF blamed unemployment on high labour costs. Whereas the apartheid state was blamed for participating in creating the problem, SAF saw no real space for the democratic State to solving it. SAF proposed a two tier labour market even though it acknowledged that such a racialised system was in place before. SAF also proposed that employers be given the power to set wages and numbers. With regards to the second tier the following was proposed:

- “Employers in the second tier should be automatically exempt from all minimum standards legislation, other than those dealing with the most fundamental issues”
- “Immediate dismissal for participation in unprocedural [strike] action”
- “There should be no automatic right to severance pay and no statutory procedural obligation prior to retrenchment”;
- “Non-wage costs” are not to be “imposed” by the state or by law, although workers would be allowed to negotiate for better wages; (SAF, 1996:103; Bezuidenhout & Kenny 2000: 10).

Whereas the key issue for ISP was more effective organisation of production forces and process involved-work process and numerical flexibility. SAF viewed labour as a commodity and non-wage costs as input cost, in other words, wage flexibility was the issue. By simultaneously acknowledging and treating social reproduction of labour as a nonissue, SAF shifted the focus back to economic production and growth and argued problems in the reproduction will be solved by economic growth. Two sides of the same coin, social reproduction and economic production were seen and treated as mutually exclusive, the State was viewed as the rim holding the coin together but it had to act in the interest of economic production.

In response to SAF, in particular to the *Growth for All* document, *Social Equity and Job Creation: The Key to a Stable Future* was released by the labour caucus in the National

Economic Development and Labour Council (NEDLAC)<sup>5</sup>. Labour caucus' argument can be summed up by the following quote:

...the business community represented by the SA Foundation has launched a well-financed and well publicised campaign to cling onto their wealth. They do so by creating a range of red-herrings, such as the alleged 'inflexible' labour markets and the alleged 'labour elite'. In doing so, they seek to let poor people pay for growth and development, whilst keeping the wealth and power of the privileged intact (Labour Caucus, 1996: 6).

With the 'absences' of evidence, Labour causes did not engage the underlining assumption concerning the causes of unemployment that SAF advanced and were resonating globally, mainly that unemployment was caused by high wages or too much work protection and regulation. With attempts to find the middle ground on the continuum of diametrically opposed regulation and flexibility positions, the democratically elected government commissioned a study to investigate a strategy to restructure the labour market. The Labour Market Commission (LMC)<sup>6</sup> comprising of experts and representatives of both labour and capital published a report in June 1996 that introduced for the first time the concept of "regulated flexibility".

Regulated flexibility is a concept where flexibility is negotiated through social dialogue between the State, labour and business and not forced by the State or coerced by business (Bezuidenhout & Kenny 2000). The report came to the conclusion that the South African labour market was flexible in comparison to global standards. This

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<sup>5</sup> This is a statutory body consisting of representative of organised labour, business, community and government" (Bezuidenhout & Kenny 2000)

<sup>6</sup> The commission comprised of representatives aligned to both labour and capital, drew conclusions from data which was supplied by ILO. Some members included Guy Standing, Gwede Mantashe and Sakhela Buhlungu" (Bezuidenhout & Kenny 2000)

sentiment and conclusion was also strongly supported by Guy Standing (1996) who argued that:

“It is almost comical to describe SA as having employment inflexibility. Many workers have little employment protection, retrenchments are fairly easy and widespread, notice periods are short or non-existent, and most firms can resort to temporary or casual labour and, if need be, labour contracting - the world’s most flexible labour system ” (Business Day, 1996).

The commission’s report which was based on existing data from the International Labour Organisation (ILO) argued that:

While the increasingly globalized economy demands high levels of adaptability or flexibility on the part of the labour market and it’s participants, South Africa’s commitment to democracy requires that this must be compatible with labour market security... This entails the protection from arbitrary loss of employment, protection against arbitrary reductions in income, protection against dangerous and unhealthy work practices, and protection against discrimination (LMC, 1996:2).

The report envisaged flexibility which could be negotiated based on consensus building through industrial democracy, and it advocated and supported workplace forums and collective bargaining instruments as tools in navigating the flexibility terrain. The report further distinguished between three types of labour market flexibility, work process flexibility, wage flexibility, and employment flexibility (which incorporates numerical and temporal flexibility) which were discussed in chapter two (LMC, 1996). The report cautioned against blanket flexibility by arguing that:

... reforms in the labour market must promote flexibility where flexibility is understood as a multi-faceted concept that is not merely a euphemism for lower real wages or weakened unions, and is furthermore consistent with labour market security (LMC, 1996:8).

Viewed together with MERG's proposal, LMC with the benefit of hindsight were the best and practical route that South Africa ought to have perused, but did not. With a middle ground between flexibility and regulation seemingly found, LMC report and its recommendation were overshadowed by the unilateral implementation of Growth Employment and Redistribution (GEAR). A shift to GEAR should be understood and viewed within a macroeconomic policy contestation highlighted above and COSATU's role within the tripartite alliance with ANC and South African Communist Party (SACP). Whereas 1994 marks a shift of power to the left, 1996 marks a shift to the right with COSATU's influence being undermined and disregarded when GEAR was introduced and implemented unilaterally (non-negotiable) against the grain of the LMC report and RDP. GEAR, a demand orientated neoliberal policy which was welcomed by business is centered on a tight monetary, fiscal plan, a gradual eradication of exchange controls, labour market flexibility and privatisation. GEAR aimed to create 400 000 jobs per year and eyed an annual employment growth rate of 6% (Tregenna 2011). The same year SAF releases their report GEAR is implemented, coincident?

Tracing the debates, GEAR was not surprisingly unexpected; the implementation process was. The warning lights were flashing and by COSATU's admission:

It could be argued that off-shoots of neo-liberalism emerged in 1992 in the Ready to Govern document, where it is mentioned that: "Emphasis will be placed on macroeconomic balance, including price stability and balance of payments equilibrium", and furthermore in the 49<sup>th</sup> Conference of the ANC held in Bloemfontein in 1994, where it was noted: "That the economic legacy of apartheid featured levels of inequality, unemployment and economic disempowerment of the majority, and the concentration of ownership by the large conglomerates" but then we "resolved to endorse belt-tightening...fiscal discipline, along with monetary stability..." (COSATU 2012:9)

The intentions to embrace neoliberalism were signaled in 1993 when the ANC wrote to the International Monetary Fund (IMF) promising the retention of the conservative governor of the Reserve Bank and pledged fiscal discipline by the new government (Webster and Adler, 1999). GEAR's implementation was a Rubicon, the "greatest policy shift in the history of the ANC, and neither COSATU nor the South African Communist Party (SACP) were informed let alone consulted" (Calland 2006:144). However, contrary to mainstream narrative, the SACP initially welcomed GEAR and only later did the Party acknowledge its error in judgement (see SACP full press statement):

The South African Communist Party welcomes the government's Growth, Employment and Redistribution Macro-Economic Policy. We fully back the objectives of this macro-economic strategy... Contrary to certain attempts to use the macro-economic debate to shift government away from its electoral mandate, the strategy announced today firmly and explicitly situates itself as a framework for the RDP. (SACP 1996).

COSATU on the other hand reacted angrily in response to GEAR, and it is noteworthy that the federation together with the National Institute for Economic Policy only issued a detailed critique of the policy strategy within a month of its release, on 19 July 1996, which had the following argument:

These conservative models are not going to bring about the envisaged creation of ... new jobs, nor going to deliver the social needs of our people. At the most it will increase the gap between the poor and the rich, and condemn the homeless and jobless into extreme levels of poverty... COSATU is committed to the elaboration of a Macro-Economic Framework which first and foremost addresses the national priorities and interests of our people (COSATU 1996).

The country's transition from the apartheid era to democratic dispensation coinciding with the introduction of neoliberalism through GEAR curtailed COSATU's influence in the alliance, Buhlungu (2005) argues this has resulted in a paradox of victory for the

federation. The transition from apartheid to democracy should be understood as what Von Holdt (2002) calls 'triple transition'; economic liberalization, democratic consolidation, and apartheid redress.

### **4.3 Shifting Gears: AsgiSA, Polokwane, NGP, NDP and Ipap**

It is widely acknowledged that GEAR caused serious tensions within the tripartite alliance, particularly for COSATU. Though implemented under the late former president Nelson Mandela in 1996, then deputy president of South Africa, Thabo Mbeki, a trained economist is the face of GEAR. GEAR was a launching pad for business to advance a call for labour market flexibility. Business argued that wages are high due to regulation, and growth would only occur if wage flexibility is linked with work process flexibility. In 1998, SAF argued that "the key differences between South Africa and other developing countries whose economies have grown rapidly is lack of flexibility in our labour market", this was according to the IMF (SAF 1998:9). The countries mentioned by the IMF did not have a similar history as South Africa. During this period, IMF's recommendations were taken as gospel truth not to be challenged. Ironically, SAF also acknowledged the human cost that come with flexibility stating "feelings of insecurity on the part of workers, and a reluctance on the part of firms to invest in their workers if they are only going to be with them until the next economic slowdown" (SAF, 1998: 10). Unsurprisingly, market rigidity and unions were blamed for unemployment.

Though GEAR was only implemented in 1996, the impact and consequence of this neoliberal policy on labour market flexibility and economy in South Africa has been profound but not unexpected. While South Africa's exports were competitive with a relatively weak rand, a strong rand together with Chinese imports after trade liberalisation meant these gains are offset easily. A reduction of tariffs and a strong rand resulted in cheap Chinese imports which put South Africa's manufacturing sector in

intensive care unit. Whereas Deng Xiaoping started liberalising the Chinese economy in 1978, China only joined the World Trade Organisation (WTO) in December 2001 when key industries like manufacturing matured. South Africa liberalised the economy and almost immediately joined the WTO. Whereas China had a clear monetary policy to support their economic growth model; devaluing and pegging their currency to the US dollar to be competitive. South Africa was pushed or jumped to liberalise the economy without really having an understanding of potential consequences.

Some consequences of neoliberalism are seen in the labour market when looking at patterns of employment. Webster and Omar (2003) looked at three case studies in gold mining, footwear manufacturing and the call centre industry to investigate the impact of labour market flexibility. In the mining industry they found that employment relations were anchored by migrant labour based on annual contracts and subcontracting (externalization of work) being key. Traditionally mining only sought subcontracted work for highly specialised core work, but the industry then shifted to contracting non-core work such as cleaning and security (Webster and Omar 2003).

In the footwear manufacturing industry, the employment relations were based on informalisation and the conversion of employees into independent contractors in order to side-step employment legislation. The conversion of employees into contractors meant that they were no longer fully covered under labour legislation. In the relatively new call centre industry, employment relations were full-time, part-time, and working around a shift system. White workers predominantly occupied technician position whereas the career paths for black workers were not prioritised. The findings bear some similarities with Von Holdt and Webster's (2005) findings in other case studies. Von Holdt and Webster (2005) found three distinct features or categories in employment relations: core, casual and/or external, and periphery workers.

Core workers have permanent work in its traditional sense with all or most of the benefits, namely, medical aid, pension fund, provident fund and such. Casual and/or external work is characterised by unstable, non-permanent jobs, part-time or temporary work with little or no social protection. Finally, workers in the periphery category 'make ends meet' through an informal way, and they epitomize what Standing (2011) calls the *Precariat*. To a large extent casual and external workers also constitute the *Precariat*. Similarly, in her research on the labour market focusing on the South African food retail sector, Kenny (2004) argues that the introduction of casualisation and subcontracting from the late 1980s that coincided with the economic crisis offered managers and employers a new tool of control in the retail industry.

Casualisation and sub-contracting intensified precariousness of employment relations and this is used as a tool by management to control workers. Kenny's (2004) research suggests that 65% of the workforce is casualised, similar to non-core work in the mining industry. Similarly, cleaning, security, and merchandising in the retail industry have been outsourced since they are considered non-core work. Kenny further argues that casualisation is used as a form of numerical flexibility to the benefit of permanent workers who do not have to work late hours during weekends. Ultimately, the overall results of neoliberalism and work restructuring have been an increase in wage inequality and unemployment. Buhlungu and Tshoaedi argue that the implication of work restructuring for COSATU is "a growing number of the workforce" being "outside its organising reach, as it is currently conceived" (2012:22). As such, the logical response from the federation is to retreat "into a defensive posture of workplace protectionism that focuses on those with full-time formal employment" (Buhlungu and Tshoaedi 2006:22). In other words, within a neoliberal context, any employment programme perceived to have the potential to erode this membership base will be opposed by COSATU, including a youth wage subsidy.



Whereas the role of the State in the RDP document was central in the social reproduction side through meeting human basic needs, the role of the State under GEAR was minimalist, pragmatic and conservative focusing on trade to increase job growth but without effect tools to guarantee trade balance or, having in place matured industries to compete. Demographic changes accelerated GEAR's internal contradictions and in response to these failures a third "policy" was introduced. The Accelerated and Shared Growth Initiative – South Africa (AsgiSA), which was introduced in 2006 was an attempt at a dual or mixed economic model with the role of the State shifting a little more to the supply and driving the demand side in light of GEAR shortcomings. AsgiSA was not a policy but a list of plans and projects that government planned to undertake. The plans, projects or programmes set out in AsgiSA were a provision for an expansion of "public infrastructure investment, sectoral development strategies to promote private investment, improving education and skills, integrating marginalised parts of the population into the mainstream economy, improving macroeconomic management and enhancing public administration" (Tregenna 2011:628). AsgiSA targeted to bring the unemployment rate to under 15% by the year 2014, however, the very same year unemployment was 25%.

Two years after the introduction of AsgiSA the global economy was on its knees on the brink of collapse. Reminiscent of the 1930s Great Depression, the collapse was averted when public money was used to bailout the banks. This did not stop the effects of the near collapse spilling onto the local economy; neoliberalism and bankers were blamed, Thabo Mbeki was the face of neoliberalism in South Africa. The global economic crisis was the catalyst that deepened tensions, frustrations and divisions within the alliance. COSATU and SACP regrouped, organised at branch level and launched an offensive at Polokwane to topple Thabo Mbeki. The run up to the 52<sup>nd</sup> ANC congress in Polokwane was bloody, the plan for COSATU and SACP was clear, Thabo Mbeki was to be replaced by Jacob Zuma therefore paving way for the latter to be the country's president. Jacob Zuma's win at Polokwane was widely celebrated as a victory for the left in the ANC, COSATU and SACP. With AsgiSA being unsuccessful, in 2010, the

Zuma led ANC government introduced the New Growth Path (NGP) in conjunction with the National Development Plan (NDP).

The NGP is a 'road map' for the country with vision 2030 in mind, and the NDP is the overarching macroeconomic plan. The 'New' in both documents is according to COSATU anything but new, however, between the two, the federation prefers the NGP and in response to both documents, the federation published two documents, *Government's New Growth Path framework: one step forward, two steps backward (2011)*, and *A Growth Path Towards Full Employment (2010)*. The federation's assessment of the NGP is that it does not represent a breakthrough in economic thinking and in economic policy (COSATU 2011). Both NGP and NDP are essentially a copy and paste of GEAR combined with AsgiSA, and COSATU is of the opinion that these policies are at odds with the National Democratic Revolution (NDR).

The NGP, which was drafted by a new Department of Economic Development set up by President Zuma's administration in 2009 explicitly prioritises employment creation emphasising the ILO's 'decent work'. The NGP sets a bold target of creating five million new jobs at 5 % economic growth by 2020. The document identifies six key 'job drivers'- infrastructure development, mining, manufacturing, agriculture, tourism and a green economy. The NGP predicts that infrastructure development will generate 2.5 million jobs, mining 140 000, green economy 300 000, agriculture and agro-processing 500 000 and public service 260 000. While on the other hand, the NDP which was drafted by the National Planning Commission, set up after 2009 and established in May 2010, targets the creation of 5.9 million new jobs by 2020 and another 5 million by 2030. Both documents are of the opinion that jobs will be generated in small and medium enterprises, and the service sector.

The NDP concedes that jobs which will be created will be of low pay and invariably of a low standard, particularly for the first ten years. In this instance, a generation will not be sacrificed, be it the first ten years. This is at odds with the NGP's emphasis on *decent work*. The NDP argues that decent work will be achieved progressively in time and places emphasis on mass access to jobs and consolidating decent standards wherever they are in place. Employment targets in both documents are surprisingly ambitious given past history of missed job targets. It is now acknowledged that GEAR did not create 400 000 jobs annually, contrary, under GEAR the country witnessed job loss especially in the manufacturing industry-this is not to suggest that no new jobs were created at all. And in his first state of the nation address in June 2009 just as the country had entered into a recession, President Zuma promised 500 000 jobs within the space of six months; the jobs failed to materialise and many analysts argue that the country had, in fact, lost jobs in that period.

History as their reminder, COSATU does not see any new perspective on the role of the State in the economy. The NGP document states, the federation argue:

"In a mixed economy, private business is a core driver of jobs and economic growth" (NGP, p.28). Without venturing to debate with business representatives, this statement clearly presents to business yet another opportunity to profit through the interventions that the document presents. In COSATU's perspective, the mixed economy must be characterised by a progressive strengthening of co-operative and public forms of economic organisation and activity, especially in strategic sectors (COSATU 2011:4).

It is not a surprise that COSATU prefer the Industrial Policy Action Plan (Ipap) and NGP as the latter emphasis decent work and a need for a mixed economy. The implication of decent work is that workers ought to be employed with benefits, which invariably means full employment and a potential increase in membership base for the federation and its affiliates. Ipap comes from the Department of Trade and Industry, a ministry led by an

economist Rob Davis. The document seeks to expand and diversify exports with the aim of creating 2.45 million jobs directly or indirectly by 2020. The NGP, NDP and Ipap converge on the emphasis of employment and diverge on the targets and mechanics of employment. Ultimately, as President Jacob Zuma has once remarked the NGP and Ipap “fall under the NDP umbrella”.

Whereas countries generally have new policy when a new political party comes into power, over the past 20 years of democracy, with the ANC in power, South Africa has had four macro-economic policy, starting with RDP in 1994, GEAR in 1996, AsgiSA in 2006 followed by the NDP. Problems identified in 1994 still persist into democracy with additional challenges, most notably, corruption. Unlike in 1994, those severely affected by these challenges are youth. In the absence of structural change, a generation is on the verge of being sacrificed due to poor thinking, planning, political horse trading, corruption and lack of policy implementation. And unlike in 1994, the introduction of corruption as a challenge means the country is facing quadruple socioeconomic challenges (inequality, poverty, unemployment and corruption). While unemployment is the most pressing for the youth since it has the potential to address poverty and inequality, corruption and poor leadership is on the verge of sacrificing the born free generation. Table 4.1 below is a summary of policy discourse which took place in South Africa.



**Table 4.1: Policy discourse Timeline**

Year	Regulation	Regulated flexibility	Flexibility
1990-MERG	Supply and education orientated, seeks to nationalise, build strong skills base and minimum wage		
1990-1994-ISP NMC & NEM			Production and wage orientated. Work process flexibility,  Numerical flexibility  Micro approach
1994-RDP	Welfare, infrastructure and supply orientated. macroeconomic policy		
1996-SAF			Wage flexibility  Two-tier market
1996-Labour Caucus LMC		Differentiated three types of labour market flexibility. Strived for a balance.	
1996-GEAR			Neoliberal macroeconomic policy. Reduction in infrastructure investing.
2006-AsgiSA			Plan for infrastructure development in context of neoliberalism
2009-NDP -NGP -IPAP			Roadmap for the country.  Incoherence between policy

#### 4.4 Old debate repackaged: Youth unemployment, 2007

As a signatory of the Marrakech Agreement (replaces General Agreement on Tariffs and Trade (GATT) in 1994, trade liberalisation in South Africa was well under way against the backdrop of poverty, inequality and unemployment. Although the consequences of a deregulated labour market were ubiquitous in the developed continental Europe, not much was known about the developing countries at the time. What was becoming clear was the fact that unemployment was on the increase and employment relations were increasingly becoming precarious. Whereas in the 1990s the problem was unemployment, in the 2000s the problem is youth unemployment. And to address the high levels of youth unemployment former president, Thabo Mbeki proposed a wage subsidy during his State of the Nations address in 2007 (DA 2010).

Two years went past without a mention of the initial proposal and in October 2009 the proposal was mentioned in passing by then Finance Minister Pravin Gordhan in his Medium Term Budget Policy Statement (MTBPS). Policies mentioned in MTBPS are up for debate in houses of parliament and successful ones are formalised in the National Budget the following year. “Wage subsidies were initially proposed as a policy option in the 2009 MTBPS and both houses of Parliament debated the policies contained in that document” (DA 2010:6). However, since then, the policy was held up in NEDLAC with the DA and National Treasury perceiving its implementation at national level to have been thwarted by COSATU.

The official opposition party in parliament, the DA, argues that the high cost involved in hiring workers is one of the main reasons for high levels of unemployment. Whereas SAF framed their argument around high wages, the DA frames the argument around

“cost of hiring”, effectively, both are saying the same thing- rigidity. The difference is the flexibility in language. In a document titled, *The wage subsidy policy deadlock and South Africa’s youth unemployment crisis*, the DA argues that:

“labour market, like any other, reaches equilibrium based on the supply and demand of labour. In South Africa it is often argued that wage and non-wage regulation of the labour market is a major contribution to unemployment- *a point accepted by most economists and regularly emphasized by the DA*” (DA 2010:4 *own italics for emphasis*).

To circumvent the non-wage hiring costs, the DA want a youth wage subsidy to be implemented without adjusting wage levels. The party also identifies rigidity in the labour market and legislation as obstacles to addressing youth unemployment. The party argues that:

The high cost of hiring labour in South Africa is the key reason why 4.3 million jobseekers fail to find work each month. Lowering the cost of employment - through the relaxation of labour legislation for small businesses, the unwinding of the “unintended consequences” of the Labour Relations Act and the Basic Conditions of Employment Act, and adapting the extension of bargaining council agreements – would be the biggest single step towards solving the unemployment problem (DA 2010:8).

Arguments advanced by the DA are not new, between 1996 and 1997 debates were ongoing with regards to new proposed employment standards meant to replace the previous Basic Conditions of Employment Act, 1983 and the Wage Act, 1957. At the time, business shifted discourse from the basic conditions being used as a vehicle to protecting vulnerable unorganised workers, towards aligning it to GEAR’s objectives and COSATU opposing this shift (Bezuidenhout and Kenny 2000). All along, business has been framing the discourse and COSATU responds. Mbhazima Shilowa (1997), then general secretary of COSATU, argued against employment conditions being “changed willy nilly to suit employers’ desire for cheap labour under the guise of global

competitiveness”. The line of argument concerning employment conditions advanced by business is pursued by the DA.

To support its call for the implementation of a wage subsidy, the DA draws on the Harvard Group’s report and studies conducted in Uruguay, Poland, Chile, Peru, Britain, Australia, Canada, and South Korea. The party also acknowledges that the subsidy is not a silver bullet for the unemployment problem in the country, but it should be viewed as a “market driven reform” which would aid in work experience, the transfer of skills, and help with productive employment (DA 2010). Importantly the party argues that:

Whatever the programme design, a wage subsidy should be presented as a holistic Active Labour-market Policy (ALMP) that introduces the subsidy in conjunction with mechanisms to lower the cost of searching for work, such as “one-stop” job centres and a review of the extension of centralised bargaining agreements (DA 2010:9)

The DA’s proposal is not different from the National Treasury and the Harvard Group’s proposal. Treasury’s proposal was a demand orientated, employer-side subsidy that targets unemployed youth under 24 years of age and would cost in the region of R5 billion. What is interesting is the age, 24, in Europe this is the cut off for youth, however, due to historical reasons the cut off age for youth in South Africa is 34. Pravin Gordan, then Finance Minister explained how the subsidy will operate:

“We propose to support these reforms through a subsidy to employers that will lower the cost of hiring young people without work experience. Under consideration is a cash reimbursement to employers for a two-year period, operating through the SARS payroll tax platform, and subject to minimum labour standards. It will be available to tax-compliant businesses, nongovernmental organisations and municipalities. Our preliminary estimate is that about 800 000 people will qualify. The aim is to raise employment of young school-leavers by a further 500 000 by 2013.”



The issue is “hiring costs” not “high wages” or “non-wage” costs. With the elimination of the latter two, “hiring costs” means training costs, or the cost of training new employees. The National Treasury’s proposal articulated by Mr Gordan and the Harvard Group’s proposal are similar but different with regards application. The Group’s proposal which would cost the State R3,75 billion a year focuses on the unemployed youth at age 18. The Group proposed that when each South African turned 18 years of age, a debit card or voucher with a set value R5000 (R417 a month) be granted. The proposed amount by Professor Jim Levinsohn, would be used within the first ten weeks with employers matching the R417 stipend rand-for-rand in a form of remuneration. These ten weeks would act as a probationary period during which a “no questions asked” dismissal policy will be in effect (DA 2010; Levinsohn 2008). The DA does not frame their concern as firing cost, but hiring costs which means in an event that training has failed, the individual should be dismissed. Ultimately, the issue is training and the costs involved. The National Treasury’s proposal focuses on training unskilled or semi-skilled school leaving youths hence a reference to “hiring costs” and no mention of wages.

Using the Harvard Group’s proposal but slightly tailoring it to the country’s conditions the DA proposes that, if someone leaves school and starts working in a company “with more than 50 employees, then that company can claim a R300 monthly deduction for every new employee from their monthly PAYE payments.” (DA 2010:10). Though the DA might not be focused on training, their target is similar to Treasury’s-school leaving, unskilled or semi-skilled youths. The party argue that the cost of this programme would be R5 billion a year, and further state that:

Companies with fewer than 50 workers, and individuals who hire new workers such as domestic workers, gardeners, child minders, care givers and drivers can claim back the R300 subsidy from their tax submission to SARS at the end of the year (DA 2010:10).

The DA proposes government's wasteful expenditure be cut to fund the programme. The party points out at the "R4.6bn spent on the pointless district municipalities" as example of wasteful expenditure", and additionally supports the idea that "the R2bn surplus remaining once the Setas" be scrapped "and replaced with direct reimbursement of training costs" (DA 2010:10). Sectoral Education and Training Authorities (Setas), were set up to replace the Industry Training Boards which were in place during Apartheid. Setas are stakeholder bodies where both trade unions and employers are represented; they are "supposed to be the key intermediaries in the relationship between training and economic and social requirements" (Allais 2012:634), but they have come under serious criticism for incompetence and not executing their mandate- skills development, training and supply information about training. Higher Education and Training Minister, Dr Blade Nzimande, has announced that Setas would be phased out by end of 2017 and their budget would be channeled into the National Skills Fund.

All three proposals from National Treasury, Harvard Group, and DA are demand orientated and seek to directly intervene in the labour market. The DA's proposal offers a slight nuanced, it flags the issue of skills, a supply side component and directs how this could be overcome. The DA does not expand further on skills; for example the type of skills needed, their composition or conception. Skill in this instance is generic and is dictated by economic demands. Notwithstanding this, all three proposals were conceived under the assumption that the labour market is regulated by supply and demand forces. All three fail to fully acknowledge the social character of labour. From proposal, to experimentation, the DA has implemented a version of a youth wage subsidy in Western Cape, a province under its administration. The "*Work and Skills for 100 000 Project*" is an initiative aimed at creating and providing employment to young people between the age 18-34 years. This programme will be discussed in chapter five.

#### 4.5 COSATU's opposition

In response to the National Treasury and the DA, COSATU released a detailed executive summary in 2012 opposing the youth wage subsidy. However, COSATU's point of departure is found in *A Growth Path Towards Full Employment (2010)* document. The federation argue that economic relations under apartheid were socially embedded along racial lines and as a result “the problems initially identified in 1990 are still persistent and remain stark under the democratic cloak. Economic growth reproduces inequality of incomes and power, poverty and unemployment” (COSATU 2010:10). The federation views unemployment as structural not cyclical, and this is supported by conclusions drawn from Banerjee *et al.*, (2007). The structural aspect of unemployment is captured in a quote by president of COSATU, Sdumo Dlamini, when he argued that:

“it [unemployment] is rooted in the economic fault lines we inherited from our colonial and apartheid past - weak infrastructure, monopolies and cartels, an economy over-dependent on the export of raw materials, and dysfunctional education that sidelines millions and denies them the necessary skills” (Dlamini 2013).

Analysing the same documents and literature that the National Treasury based the wage subsidy proposal on, COSATU (2012) reaches different conclusions and as a result opposes the subsidy on the following four grounds. First, it argues that the theoretical framework that the National Treasury draws on is grounded in international studies which ignore local context-no empirical evidence to support youth wage subsidy. Second, the subsidy will lead to deadweight losses and substitution effect.

Third, COSATU argues that the subsidy “does not guarantee that training and skills development will take place in the workplace, this will lead to a recycling of young people without any meaningful training” (COSATU 2012:2). Finally, the federation does not agree with the underlying assumption that there is a causal link between entry-level wages and productivity among young workers or that wages are an impediment to job creation. In fact, they are of the opinion that younger workers are paid 77% of their productivity. This illustrates a defensive posture of workplace protectionism that focuses on those with full-time formal employment that Buhlungu and Tshoaedi (2012) argue COSATU has taken. Additionally, pregnant in COSATU’s defensive posture and argument is a rejection of the notion that labour markets are regulated by supply and demand forces.

COSATU views a wage subsidy within a neoliberal context and fears the subsidy will not address the root causes of unemployment. The federation argues the youth wage subsidy “may exacerbate the triple crisis of poverty, unemployment and inequality” (COSATU 2012:3). The federation argues for a more regulated labour market and highlights that only 29% of the country’s workforce is unionised implying that 71% of workers are unorganised and vulnerable to abuse. The federation argues that companies will abuse the subsidy to boost their profits by employing younger workers at the expense of older ones. Furthermore, it argues that the policy will treat the symptoms and not the underlying structural and historical causes of unemployment. COSATU views the subsidy as a short term solution to a historically structured problem and they want sustainable solutions to address the problem permanently.

In line with the Decent Work Agenda, COSATU proposes a back to basics approach by effectively using the National Skills Strategy (III) to increase the capacity of Further Education Training (FET) sectors to absorb “1 million learners per annum by 2014, compared to the current 400 000 per annum” (COSATU 2012:3). This, the federation argues, will keep young people in the training and education system for long and will

also reduce the pressure on the labour force (the German model). Moreover, this will equip young people with necessary and much needed skills. The federation further argues that, while FETs are absorbing and training learners, the public sector and private sector should prepare to adequately absorb young people into the system and further contribute to the transfer of skills which can be used for government's infrastructure development and maintenance plans as laid out in the NGP the federation envisage.

The strategy of targeting education and skills development requires a continued coordinated effort of existing policy and meticulous planning, monitoring and evaluation, the federation acknowledges. COSATU also recognises that even if their strategy works, "young people in desperation may choose to go straight into employment than increase their educational attainment" (2012:4). However, the federation is still strongly opposed to young people leaving school and working immediately, arguing that such a move will have long-term consequences for the career aspirations of the youth and consequently social reproduction, since the country's population is young. In essence, what COSATU argued for after the Harare conference in 1990 has not changed to what they are arguing for now. The only difference is the proposal COSATU has put forward requires the coordination and synergy of existing policies, and youth unemployment is at the centre of the labour market discourse.

The federation's proposal envisages an active State in the supply side of labour through expanding education through FET's now called Technical Vocational Education Training (TVET). The State is also active in demand side of the economy through infrastructure expansion in the NGP. The private sector's role is to absorb labour supply and use it to drive the economy through a transfer of skills in line with the National Skills Strategy. COSATU's linking of skills, unemployment and infrastructure development, and delinking of wages and productivity is important. The relationship has merely been treated as a skills mis-match which is obscured by wages. Allais (2012) argues that the

socioeconomic context of South Africa which is characterised by high unemployment, a narrow social security net, changing nature of work and the most unequal country in the world make it difficult to develop a “robust and coherent skills development” plan (2012:640). However, COSATU has seemingly linked skills development to the supply side with economic growth which could be stimulated by infrastructural development led by both State and business. This is what Krugman was saying, a man digging a hole with a bulldozer was not necessarily more productive than the one with a shovel; the former just has more capital to work with. Currently, business has parked half a trillion worth of capital in banks.

#### **4.5 Marching for a youth wage; 2012**

Frustrated by the intransigency of the federation and not engaging its concerns, on the 15 May 2012, the DA embarked on a march to COSATU House in Braamfontein, Johannesburg to protest against the implementation of the youth wage subsidy. The DA accuses COSATU of hindering job creation by blocking the implementation of the subsidy at NEDLAC and argues that the subsidy has the potential to create 400,000 jobs (Nhlabathi, Moeketse & Mdletshe 2012). In classic oppositional party style, the DA did not address the federations concerns nor counter COSATU's proposal, but simply dismissed them as “ideological”. The march that took place on 15 May 2012 was the first time the advocates of regulation, COSATU, on the one hand, and the DA, the advocates of flexibility, on the other hand, met face-to-face. All along their interactions had been through research reports countered by research reports and media statements.

The broader labour market flexibility discourse which has its origins in 1990 after the Harare conference through a research report and media statements degenerated into physical confrontation in the streets of Johannesburg on 15 May 2012. This time

around, it was not the ISP or SAF that spearheaded the deregulation delegates, but the DA; however, COSATU remained adamant about regulation, even without the help of the ANC. COSATU members and supporters prevented DA members from reaching COSATU House in Braamfontein, Johannesburg. Research reports or media statements were not exchanged, but stones thrown and thus, made it impossible for the DA to hand over its memorandum to COSATU leaders. The symbolic gesture of the DA's march raised issues concerning labour to the biggest labour federation in the country. COSATU still maintains that the labour market must be regulated, while the DA wants a flexible market. Two years later, in 2014, a similar march was organised by the DA against the ANC promising "employment opportunities" in their election manifesto.

The opinion of President Jacob Zuma and thus, the view of the ANC (under Mandela, Mbeki, now Zuma) on the labour market flexibility continuum as expressed on the one side by the DA and on the other side by COSATU has been ambivalent and vacillates between the two positions. This can be traced back to the 1990s and in February 2008 during an interview Straydom Theobald (2008) had with President Jacob Zuma after the Polokwane elective conference. Below are extracts of the interview of President Jacob Zuma with Straydom Theobald:

**Theobald:** Do you not think if you want business to absorb more labour you could make it easier for them to hire by changing the weightiness of labour regulations?

**Zuma:** That's part of your problem, that's part of your problem that you are faced with. That's a problem that needs a debate. We talk about two economies in the country - first economy and second economy - that's a problem. That is part of our legacy which is in a sense as a result of what I've just said. What does the first economy say? It means whatever we do today, if we talk about regulating and everything, is actually a kind of regulations that deal with the first economy not the second economy.

That's a problem of our economy. Precisely because of that you are then, in a sense, counting out a lot of other things which would be in the second economy. So that's why the economy is growing but people are telling the plight of the people is also challenging because of this difference. I'm not certain whether we have anything that makes the two to mix, deliberately, I don't think so. I'm making this point because if you raise the question of the labour thing because we are then dealing with labour that has been pitched to be a labour or even the unions that deal with the conditions of the first economy.

Thus even the minimum wage therefore buys very much high - does not consider the second economy. Even the trade unions that say we stand for the workers but the workers that belong there, the unemployed, can't reach the bar. So that's a contradiction which we need to address because there is no regulation that says "how do we make the two link?" It's not flexibility - that's what we need to deal with. It's not just a question of the trade unions only - the trade unions are a reflection of the first economy and they have to pick up their level to that level so the second economy is in fact neglected by all of us.

What is revealing with this part of the exchange is the link President Zuma identifies was identified by LMC in 1996 as regulated flexibility. Similarly, the two economies identified are no longer two, both the first and second economies are systematically fragmented (see Standing 2011). In the exchange below, contradiction and vacillation between regulation and flexibility play themselves out:

***Theobald:*** Is it the wage or is it the difficulty that companies have in tying themselves or commit to an employment relationship that's just too onerous? Would it not be easier to achieve what you're talking about if you say to a company: "You can hire people and we'll make it easier for you to fire them as well?" Then their resistance to hiring them in the first place would be lower.



**Zuma:** But that's where the problem is. Who makes it easy? Because there is a competition between labour and the companies. Labour says: "No you will pay us at this level." So it's a question of you need an agreement, you need an agreement with everybody because again, you cannot say in another sense the (indistinct) are wrong, they've gained. And this is what has happened in the first world economies - they have gained out of sweat. And you can't say, "Stop it."

It needs an understanding. At some point it needs patriotism. If you took what happened in Ireland, for example, there was an agreement, they signed a pact - business, labour, and society and government - which turned the economy of that country. So I'm saying there has to be an understanding because then the private sector, the companies are not employing, what then do they do? They then sack the workers and employ them as scab labour, not scab labour as.

**Theobald:** In creating this pact you think the unions do have to move from where they are now?

**Zuma:** I'm not necessarily saying that because I don't want to be judgmental. All I'm saying, every South African, everybody has to come together to say: "Here is a problem that we have. How do we deal with it?" Because if we don't deal with it, it could become an explosion down the line. We've got to deal with it - we cannot have so many graduates who are not employed. And then if they turn into wrong ways - we've got very clever criminals.

President Zuma's argument above follows that regulation in the first tier impinges on the second tier into being incorporated into the first as employers find it financially difficult to make a transition from the latter to the former. This is largely due to an absence of a mechanism to make the two economies gel and sectorial determination which do not consider the second economy. What is not considered is the role of the State in linking these "two" economies. Zuma argues that there is nothing that links the first and second tier which makes the labour market as a whole rigid. On the one hand he argues that

labour market inflexibility should be addressed through a pack or patriotism, while on the other hand he does not want to be judgmental and push organised labour from its uncompromising position of wanting a more regulated labour market.

After the interview, COSATU is alleged to have summoned President Zuma to its House to come and explain his comments on labour market reforms. COSATU's bravado towards the then soon to be president of the country ought to be seen in a post-Polokwane context, and the fact that the federation used its muscle in the tripartite alliance to ensure that President Zuma topples former President Mbeki at the ANC's 52nd conference in December (Omarjee 2008). For the first time in a very long time, COSATU at this moment had power. However, if policy formulation post-Polokwane and Mangaung is to be considered, this power has not influenced policy direction, and the disagreement within the alliance around the economic chapter of the NDP is testimony to this assertion.

#### **4.7 Flexibility and dilemmas of decent work**

As a signatory of the International Labour Organisation (ILO), South Africa has effectively pledged to create employment that is productive, in conditions of freedom, equality, security and meets human dignity standards. In other words, the government supports the decent work agenda which was launched in 1999 at the 87<sup>th</sup> International Labour Conference. In his inaugural state of the nation address speech, President Zuma said that the creation of decent work will be at the center of the country's economic policy.

The implementation of a youth wage subsidy is perceived as a shift towards a flexible labour market policy by COSATU and as having the potential of undermining the Decent

Work Agenda and the struggle for a living wage. This sentiment was stressed by then COSATU's spokesperson, Patrick Craven, who argued that if the government introduced the subsidy they would create a third economy of the super-super exploited workers comprising mainly of the youth (DA 2010). With the introduction and launch of the Decent Work Agenda by the ILO, what the concept entails or how it is measured has been highly contested. The debate is largely based on the fact that the nature of employment and who is an employee has different dimensions, both locally and globally. What is decent in the developing countries might not necessarily be decent in developed countries. Similarly, the fact that labour laws also differ from country to country has rendered the definitions and measurement of decent work problematic.

The problematic nature of the concept of decent work was highlighted after the ANC won the 2009 national election with the slogan, "Decent Work for All". Thereafter, the ANC had to explain what it meant by decent work. The Minister of Labour, Ms Oliphant contributed to the conceptualisation of the meaning of 'decent work' at the annual labour policy conference held in Pretoria in 2011. She told delegates at the conference that:

"decent employment can only be successful when all stakeholders constantly keep in mind... the context of the South African and global economies, social realities such as poverty, inequality and education levels, and the long-term goals for South Africa, which must be weighed against short-term costs," (Sapa Jan 2011).

Although what the minister said did not contribute much meaning to what decent work entails or how to measure it, the minister plotted the context in which decent work should be envisaged locally. However, an attempt by the Secretary General of the ANC, Gwede Mantashe in explaining decent work ended up capturing the problem of the concept. Through a series of discussions entitled *Building Democratic Society*, Mr Mantashe was quoted saying that there was "no clarity on what decent jobs means" and it must be accepted that not all work created in South Africa would be of an equal nature

(Sapa Feb 2011). Mr Mantashe further went on to explain the difficult position the country is in by arguing that "It's not either jobs or decent work. We need more jobs, we need decent work, we need sustainable development" (Sapa Feb 2011). Mr Mantashe's words seem to conflate the terms, jobs and decent jobs. However, regardless of the term used, the message was clear, the country needs jobs. What is also evident from both Mr Mantashe and Minister Oliphant is that they concede that not all jobs are going to be of the same quality; thus, not all the jobs are going to be decent.

Conceptually, decent work is centered on four strategic pillars, namely, employment, social protection, workers' rights and social dialogue. Each pillar has its own indicators as to how it can be measured and these indicators will be explained in detail in chapter 6. The first pillar of employment refers to "adequate opportunities for work, remuneration (in cash and in kind), and embraces safety at work and healthy working conditions" (Ghai 2003:113). The unemployment rate provides the basis to which to measure this pillar since a picture of work opportunities or a lack thereof can be drawn. Analysts and commentators have argued that work opportunities are available, however, there is a shortage of skilled and/or qualified workers to fill vacancies. Unemployment is viewed as being caused by a structural mismatch between available skills and demand (see Centre for Development and Enterprise (CDE), 2010).

The second pillar, social protection, is linked to a country's level of development and the State's capacity, and it refers to income security encompassing the social security net. South Africa has a wide welfare net which both covers and uncovers. Over 16 million South Africans are covered by one of the following grant; Child support, Older person, Disability, Grant-in-aid, Care dependency, War veteran and Foster child grant. However, no basic income grant or aid is provided for abled bodied unable to find work. The Unemployment Insurance Fund (UIF) is the basic form of social security which can be accessed by those who have worked before when they find themselves out of work.

There is also Pension and Provident Fund provisions, paid maternity leave and sick leave of which majority of workers' are not covered by.

Arguably the most important of all the pillars is workers' rights, this third pillar refer to the basic rights that workers should have. Employment opportunities are of no use if workers cannot exercise their rights, and given South Africa's industrial relations' history with the institutionalisation of Black trade unions in 1979 coinciding with a push for neoliberalism, basic workers' rights are important and sometimes non-negotiable for unions. The rights are "freedom of association, nondiscrimination at work, and the absence of forced labour and child labour" (Ghai 2003:113). Standing views workers' rights as *representation security* which is a "collective voice in the labour market through, for example, independent trade unions, with a right to strike" (2011:10).

Linked to workers' rights is the last pillar of social dialogue. Rights are not formulated in a vacuum by employers, the State or organised labour. Workers' rights, employment conditions and skills training provisions are negotiated through social dialogue between the three relevant stakeholders involved. Both social dialogue and workers' rights deal with employment relations which influences social reproduction. Social dialogue refers to the workers' right "to present their views, defend their interests and engage in discussions to negotiate work-related matters with employers and authorities" (Ghai 2003:113). It was only through social dialogue that the New Deal was conceived after the Great Depression.

A preoccupation with labour market flexibility has resulted in little constructive and progressive social dialogue taking place to address Decent Work Agenda in South Africa. Commissioned research by the Department of Labour conducted by Webster *et al.*, (2008) has shed some light on decent work in South Africa. Drawing from the *Making visible the invisible: Confronting South Africa's Decent Work Deficient* research

report, Webster presented a paper titled *Decent Work for some or Decent Work for all? A strategy for triggering a campaign to organise vulnerable workers*, in it he presents a dilemma. The dilemma is around the definition of the agenda, its measurement and the implementation thereof. Webster proposes a conception of Decent Work not in a four pillar format but through nine indicators (see chapter 2). Through the nine indicators Webster anticipates a tension between employment and the costs (non-wage) that come with it. These tensions Webster argues, can be reconciled through social dialogue and it will require trade-offs amongst stakeholders. Through this process, Decent Work Agenda can be progressively realised over time with short, medium and long term goals in place.

Although not in direct conversation with Webster, the Minister of Labour, Mildred Oliphant, equally paved a path in making decent work possible, the challenge was balancing the inherent contradiction between decent work and labour market flexibility, against the backdrop of a triple crisis work restructuring. Employment trends indicate that from 1990 and 2004, employment in the formal economy contracted by close to a million, and the informal economy added two million people (Mosoetsa 2011). The trend highlights that unemployment is structural and employment is shifting towards the informal economy, a space that is unregulated and offers little to no protection.

#### **4.8 Policy Deadlock unlocked; 2013**

The unabated youth unemployment crisis necessitated the ANC lead government to act. Government intervened in the deadlock where COSATU, the DA and the National Treasury were unwilling to reach a modus vivendi. Government took it upon itself to

make the sacrifices and trade-offs on behalf of the parties and on 31 October 2013, the Employment Tax Incentive Bill (wage subsidy), an employer demand orientated programme conceived under the assumption that the labour market is regulated by supply and demand forces was passed by parliament even though COSATU opposed and had blocked it in Nedlac. Section five of Nedlac Act states that the negotiating chamber “consider all significant changes to social and economic policy before it is implemented or introduced in Parliament”, government side stepped this and simply brought the amended Bill straight to parliament for a vote. The ‘unintended’ consequence of this move by government further marginalised COSATU and undermined Nedlac’s credibility as an institution of social dialogue. This is not the first time the ANC led government pushes through policy without the approval of NEDLAC-remember GEAR.

Although the DA welcomed the Bill, the party pointed out that the current version was different from the initially proposed one. Articulating its support and position through the then shadow minister of Finance and MP, Tim Harris, the DA argues that the new version of the subsidy which will cost between R1.3bn and R3bn is a “watered down” from the original one proposed by the Treasury in 2011 (R5bn). Harris argues that the incentive will support only half of the number the original proposal said it would, in fact, he contends that if the version works as is expected, “it will only be able to absorb those young job seekers who have joined the labour force while the bill has been delayed-net jobs creation would, in effect, be zero” (Harris 2013).

According to Harris and subsequently the DA, the incentive has been weakened down in five areas. Under the new version, existing young workers cannot be subsidised, the unintended consequence is that this leaves a door open for workers to be substituted. Second, sectors with no wage determinations will not be subsidised, third, an overriding system which would have seen companies which cannot claim tax back being paid cash is not available- “this means a firm’s ability to create subsidised jobs is limited by the

size of their Pay AS You Earn (PAYE) bill” (Harris 2013). Fourth, the incentive has a ‘sunset clause’ that ends the subsidy on 1 January 2017, should the bill be successful and wished to be continued, parliament will be halfway through its term and will not have the power to override the clause. Lastly the Minister will introduce that beneficiaries of the subsidy ought to receive some training provided at the cost of the employer, he argue that this may discourage take-up of the subsidy and reduce the number of unemployed young people from gaining vital work experience. Weaknesses identified by the DA are COSATU’s concerns. It is with the last weakness that one realises that the issue of non-wage cost, high wages or hiring costs are used as proxy arguments to side-step skills development training for new employees.

The employment tax works as follows. The calculation is broken into three remuneration categories, those who earn R2 000 or less a month, those who earn more than R2 000 but less than R4 001, and lastly those who earn more than R4 000 but less than R6 001. The duration of the incentive is divided into two 12 months cycles. The first category is applicable for employees who earn R2 000 or less, the employer is entitled to a tax incentive that’s 50% of the monthly remuneration for the first 12 months. If the same youth is still employed for another 12 months (2<sup>nd</sup> cycle), the employer is entitled to a tax incentive that’s 25% of the monthly remuneration. For example if I earn R2 000 a month, an employer is entitled to claim R1 000 every month for the first 12 months, and for the next 12 months that amount is reduced to R500. The second remuneration category R2 001- R4 000 the calculation is, for the first 12 months regardless of monthly salary, the entitled claim is R1 000, and the second 12 months its R500. The last category is for those who earn more than R4 000 but less than R6 001. Looking at the tax break categories, the tax incentive is targeted at unskilled, semi-skilled jobs. Simply put, those with a matric certificate.

Besides labelling the incentive scheme “watered-down”, Harris wondered how more than 30 members of COSATU who are deployed to be ANC MPs voted given the fact



that the federation opposed the subsidy. Furthermore, he wondered how members of the SACP also voted considering that the Young Communist youth leader, Buti Manamela, had in the past remarked that they oppose the youth wage subsidy. The youth wage subsidy, which was proposed by Treasury, supported by the DA, opposed by COSATU, was ultimately endorsed by the ANC through a vote in parliament. If post-Polokwane and Mangaung is viewed as a victory for the left in the alliance, this power has its limits and this has implications on COSATU's strategy going forward on how to influence policy. Sending representatives to "influence" policy is seemingly not working.

#### **4.9 Conclusion**

This chapter presented policy debates which began in the 1990s, and how the centre of the discourse has become about labour market flexibility in relation to the role of the state, or the lack thereof. As Krugman pointed out, the 'miracle' of Asia boiled down to a formula which was given life by an authoritarian State which connected the spheres of social reproduction and economic production (growth). Under a democratic dispensation, the State can still play a similar, although limited role. Given South Africa's history and context the State's role was one of attempting to "square the circle", addressing poverty, inequality and unemployment, while liberalising the economy and consolidating democracy, with organised labour being integral in this process. Therein is the difference between South Africa and Asian Miracle.

Whereas authoritarian State can square a circle, in a democratic dispensation, processes have to be followed but they are not always followed. Squaring the circle has at times led the ANC government which controls the State taking authoritarian decisions in a democratic dispensation. While government oscillates between regulation and deregulation, demographic changes have shifted the socioeconomic goals posts, and country finds itself in a socioeconomic cul-de-sac. The tide has risen but not all boats

were lifted. By addressing youth unemployment through the implementation of the wage subsidy, government has effectively thrown a life jacket to the unemployed youth with an implicit message to the effect of, use the life jacket to hopefully reach a boat of employment. In an event one does not reach the employment boat, this life jacket creates a self-blaming cycle and operates as shielding tool for government- we gave you the opportunity and you did not take full advantage.

This chapter illustrated that in the current context characterised by an under prepared caused by a weak education system and four “different” economic policies within 20 years, simply reducing wages, or work security will not solve unemployment. Wage reduction with no social protection will cause the life jacket to deflate because wages have a ceiling and a floor. The ceiling is the productivity of the worker and the floor is the cost of living which is not entirely covered by the wage. Niall Reddy, extrapolating data from the StatsSA’s household survey, shows that the floor has not shifted- “workers experienced virtually no improvement in real wages from 1997 to 2011. The median real salary for a formal sector worker in 2011 was R3 800 a month, the same as it was in 1997” (Crotty 2013). Productivity on the other hand has improved.

It is disingenuous to broadly level blame on wages and legislation for unemployment when it is now evident that the country rushed to be incorporated into the global economy without adequately addressing the socioeconomic conditions inherited from the apartheid government which have a profound impact on social reproduction. The mismatch is a flexible financialised neoliberal economy and a perceived ‘rigid’ labour legislation, with a shallow skills base. As Standing argues, we ought to seriously comprehend what is meant by flexibility; he states, “Not with an atavistic desire to reverse the changes but to identify what would be needed to make them tolerable” (2011:31).

One way of making these changes bearable is to slowly strive to create employment with the Decent Work Agenda as a framework and create adequate social security nets in cases where flexibility is necessary. Simply put, social reproduction and economic production should not be viewed as mutually exclusive, the State has a role to play in both aspects of production and reproduction. The next chapter will deal more closely with the social regulation of labour process of incorporation, allocation, control and reproduction. By focusing on the Work and Skills Programme, the next chapter will explicitly demonstrate that labour is not regulated by supply and demand forces, but in fact it [labour] is incorporated into the market, allocated a job, controlled and socially reproduced.

## Chapter 5

### Local labour markets: A Western Cape Case

#### 5.1 Introduction

The Democratic Alliance (DA) often presents two reasons for the socioeconomic cul-de-sac the country finds itself in, lack of policy implementation and policy uncertainty. When looking at macroeconomic policy, the DA supports the National Development Plan (NDP), it opposes its slow implementation. Using the Work and Skills Programme (W & SP) this chapter will show that policy implementation and efficiency are insufficient with regards to the unemployment crisis. Unemployment is structural and in the absence of structural change, coherence and congruency between economic, social and labour market policy, I argue that a youth wage subsidy is symbolic, it functions as a life jacket which is not available to everyone who is unemployed. This chapter will show that a temporary employment service provider, commonly known as labour brokers, are the main beneficiary of a demand orientated programme in a neoliberal context. Put differently, under current conditions, even with policy certainty and efficiency in implementation, a wage subsidy is a promise to an employment boat that is coming, sometime, somewhere, somehow, if you have what is considered the right skill.

The first section of this chapter deals with the politics of the province in relation to race. In this section I will implicitly show how the dichotomy of Coloured Black shapes race relations in the Western Cape. This will be followed by the politics in the DA in relation to the ANC, here I aim to draw parallels between the two parties by applying the concept of cadre deployment to the DA. The second section will cover the W & SP. I will also show that the main beneficiary in the programme is the second biggest labour broker in the country. This will be followed by an analysis of the programme through the process of incorporation, allocation, control and reproduction. The third section of this

chapter will cover the two cases and show some of the approach companies have in place to address skills training. Now, let us turn our attention to the Western Cape and the DA.

## 5.2 The Western Cape

For the DA, the cause of ineffective policy implementation and policy uncertainty in South Africa is due to alliance politics. Generally, DA is in agreement with ANC when it comes to macroeconomic policy, the party's opposition is on alliance politics and cadre deployment. The DA believes alliance politics and cadre deployment causes failure in policy implementation and uncertainty. DA's shadow minister of Finance, David Maynier (2015), argues that "the "root causes" of the economic problem is the political problem", he continues, "we [country] need clear policy that is focused on growing the economy and creating jobs by dealing with the key binding constraints on the economy". Politics is who gets what, when and how, in other words, what gets to be done first (Lasswell, 1936). Economics, is more concerned with the *how* in the politics, *how* is the wealth and other resources of the country distributed. The how has been highly contested even before 1994 as shown in chapter four. Maynier (2015) posits that "we [SA] have policy confusion caused by deep divisions between the ANC and its alliance partners", and to illustrate this division he points to the NDP being a policy for President Jacob Zuma, more of a vision for Jeremy Cronin (Deputy Minister of Public Works), and now the ANC refers to it as a "living document not cast in stone.

According to the DA, the country's problems can be solved by policy certainty and efficiency in implementation. The youth wage subsidy as discussed in chapter four sums up the DA's frustration. A youth wage subsidy is proposed and in this instance failure in implementation is not due to cadre deployment, but alliance politics, specifically COSATU's opposition. Cadre deployment is understood as the "appointment

by government, at the behest of the governing party, of a party-political loyalist to an institution or body, independent or otherwise, as a means of circumventing public reporting lines and bringing that institution under the control of the party, as opposed to the state” (inside-politics.org,2012). In the DA’s view, the biggest constraint is politics and not economics, and socioeconomic problems can be solved if we get the politics right.

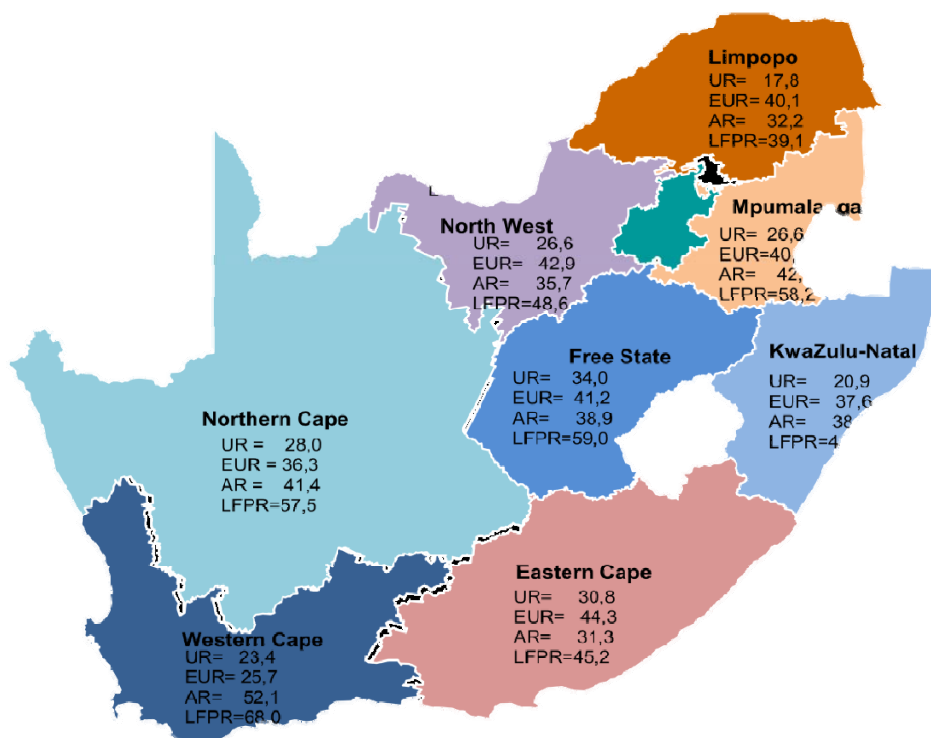
What would happen if the DA was no longer an opposition? What if it was to govern, what would it do to address youth unemployment? Would there be traces of cadre deployment although with different results and purpose? Would there be efficiency in policy implementation? Would there be policy certainty? These questions will be addressed by analysing and using a “youth wage subsidy” programme which is implemented in the Western Cape, a DA governed province. In the Western Cape, particularly City of Cape Town, Maynier (2015) reports that the DA have:

provided an extensive package of free basic services, including water, sewerage and electricity. Provided primary healthcare with more than 10 million patient visits per year. Spent R40 billion on infrastructure and increased spending on maintenance and repair. Rolled out the MyCiTi public transport system. Cut red tape to promote investment and run a strong police service.

I mention these provisions that the party says it has provided because they are factors which influence the quality of labour supply, however, one notable absence in Maynier’s assertion is reportage on education. Notwithstanding this, matric results considered as a bench mark, the Western Cape, Gauteng and Free State are the top performing provinces in the country; in relation to the quality of labour supply the Western Cape is privileged. One of the aims of this chapter is to underscore the interconnectedness between party, State and policy, if one imagines the Western Cape to be a country under the control of the DA. There are some limitations that I must mention with regards

to this imagination in relation to control. The South African state has three tiers of government; National, provincial and local. The provincial budget of Western Cape is allocated by the National Treasury, and the party cannot amend labour laws. The support for a youth wage subsidy was to lower “hiring” costs perceived to be expensive.

South Africa is constituted by nine provinces which interlock a country, Lesotho. Lesotho ‘acts’ as a tenth province and by default it is seen as South Africa’s labour reserve- supplying mostly domestic workers and mine workers. At 23,4%, the Western Cape has a relatively low unemployment rate in the country, and its reliance on employment or ‘job drivers’ (source of employment) are trade, social service and community, finance, manufacturing and agriculture, and most employment is concentrated in the formal and informal non-agriculture sectors (QLFS-Q3:2013).The province has a working population, or the number of people between 15 and 64 years of 3,5 million. The labour force, a combination of all persons who are employed and unemployed indicates that 1,8 million people in the province are employed, while 566 000 are unemployed (see table 5.1 and map below, source QLFS-Q3:2013).



From those people employed in the province, roughly 404 000 are employed in the trade sector, 388 000 in social service and community, and 305 000 in finance. Mining and utilities contribute the least towards employment (QLFS-Q3:2013). The one other major contributors to employment in the province are the wine farms and tourism sector. Local and international tourists come to the Western Cape for its internationally acclaimed wine farms, Robben Island, Table Mountain and to participate in the most beautiful marathon in the world, the Two Oceans marathon. The table 5.1 below compares the labour market statistics of the country with those of the province.

**Table 5.1: Employment statistics**

	<b>National</b>	<b>Western cape</b>
<b>Working population</b>	33 464	3 552
<b>15-64</b>		
<b>Labour Force</b>	18 638	2 415
<b>Employed</b>	14 028	1 849
<b>Unemployed</b>	4 609	566
<b>Unemployment rate</b>	24.7%	23.4%

Source QLFS-Q3:2013

The province also has an intriguing political landscape compared to eight other provinces. Of the 5.8 million people in the province, Coloureds<sup>7</sup> constitute 2.8 million or

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<sup>7</sup> During apartheid, the term "Coloured" was used to refer to group of people generally considered to be of mixed race origin. Coloured people, throughout the course of South African history, have been regarded



48.8% of the population, Blacks 32.8%, whites 15.7% and Indians or Asians 1.0% (Census 2011). There are more Coloured persons in the Western Cape than there are in the other eight provinces combined, and by default Afrikaans is a dominant language followed by English and IsiXhosa respectively. Given its unique racial composition, the province did not escape the apartheid geographical planning; areas are physically and aesthetically divided by race and class, railway tracks and highways, Cape flats and houses with different and unequal levels of development evident.

The geography and apartheid spatial planning can be “felt” when travelling on the N2 highway. When leaving Cape Town and travelling on the N2 highway, one passes through the predominantly white neighbourhoods of Rondebosch and Rosebank. Continuing further east, one passes a Coloured middle class neighbourhood of Hazendal and Vanguard Estate. One then goes past the Athlone industrial area which introduces you to the first predominantly Coloured working class neighbourhood of Manenberg. Separated by a railway track across from Manenberg are the black townships of Gugulethu, Langa and Nyanga. In short, the journey takes one from the city centre, towards a white neighbourhood, into a Coloured middle class neighbourhood, and buffed by an industrial zone is a Coloured working class area which, in turn, is separated from the black townships by railway tracks. Many black in the province feel that this reflects societal packing order- white at the top, Coloureds in the middle and blacks at the bottom.

The geographical landscape of the province with the intersection of race and class carved in it is no different from the country’s broader landscape; the only unique aspect

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as neither white nor black, and their ability to exercise their political rights have been dependent on the attitude of government at the time. The current ANC government classifies the group as Black.

are the concentration of the Coloured population and the DA's governance. Up until 2009, when the DA won the Western Cape, the province had never had a clear winner in the election. In the 2004 election, the ANC won 45% of the votes and forged an alliance with the New National Party (NNP) which got 11% of the votes (News 24 2009). The ANC-NNP coalition governed the provincial government for less than a year. In 2005, all the members who represented the NNP in the provincial parliament "crossed the floor" to join the ANC. This gave the ANC an absolute majority to govern the province; the official opposition was the DA (News24 2009).

However, the DA controlled the "heart" of the Western Cape by occupying the highly contested best run municipality in the country, the municipality of the City of Cape Town. Currently, the Western Cape is the only province that is under the control of the DA. The official opposition party in the National Assembly beat the ANC in the 2009 elections winning 51% of the vote (News24 2009). This was the first time under democratic dispensation that a party won the absolute majority in the province. The provincial win for the DA came with the Coloured question and identity; addressing issues facing the Coloured community such as gangsterism, substance abuse, poverty, inequality and unemployment. The identity question for Coloured people, whether real or perceived, is a feeling of not being white or black enough, being caught in the middle. The question is not unique to Coloured people in the province, nationally Black people face the same challenges just not the identity aspect of it, and Coloured people under the current ANC government are classified as Black.

One of the first thing that was done by the DA when it captured the provincial government was to address youth unemployment by implementing a form of a wage subsidy. The genesis and conceptualization of W & SP occurred in 2008 or as Ms Loghdey said "pre 2009" and according to her, the W & SP is not the DA's policy (interview 11/12/2013). She argues that the programme was implicitly used by the DA and opened to the public to argue for the implementation of the youth wage subsidy at

national level at the time when the debate on youth unemployment was gaining momentum. On three occasions she consistently denied and distanced the policy from the DA, one during a telephone conversation and twice during our interviews. Similarly, as far as Mr Apollis knows, the W & SP was conceptualised by people working in the Economic Planning Division in the Department of Economic Development and Tourism (DEDAT) and it was called Work and Skills for 100 000. 100 000 was symbolic as it indicated the number of youth that the programme wanted to reach over a period of five years. This number can also be found in the 2010-2011 DEDAT annual report.

This number is also reflected in the DA's policy document on a youth wage subsidy. The party has explicitly claimed ownership of the W & SP, the party states that "the DA-run Provincial Administration is running a pilot wage subsidy, called the Work and Skills for 100 000 Project" (DA 2010:10). The ownership of the programme is also expressed by the party on social media network Twitter and Facebook, and was confirmed by Mr Andreson in an email conversation I had with him. When I completed my fieldwork , I sent follow-up interview questions to the DA and one of them was if the W & SP was a DA policy, and through Mr Andreson, the party's reply was, "The work and skills program is a DA policy started in the Western Cape in 2009 by the DA government" (Email 18 February 2014). Supporting the assertion on the ownership of the programme a link to an article, not a policy document, was offered in which the DA's former parliamentary leader Ms Lindiwe Mazibuko invited Mr Vavi to come and see the programme (Work and Skills for 100 000) in action.

Why would Ms Loghdey deny the DA ownership of the programme? The short answer is, I do not know why she would deny the DA ownership of the programme. However, one possible explanation is that Ms Loghdey was attempting to distance the programme from the Party, and therefore the politics. Tensions of programme ownership emerged when I was making arrangements and negotiating access for fieldwork study, I had a lengthy telephonic conversation with Ms Loghdey who cautioned me for "believing

everything I hear on the news”, she was referring to ownership of the programme. In retrospect, the caution was more about managing access in one of the Western Cape departments, governed by the DA. The DA is stern on the separations of power between the Party and State, hence why they disapprove cadre deployment. The DA has no coherent policy on government officials and functionaries who have immense power when it comes to policy implementation policy. I mention this because regardless of which party governs, ultimately, it is civil servants who have the real power to implement or sabotage policy. The DA’s win of the Western Cape in 2009, the party’s admission towards the W &SP and its implementation in the province, are all conveniently synchronized in in such a way that one comes to a logical conclusion of the policy being the DA’s. The implementation of the W &SP in a short period of time demonstrates implementation efficiency.

### **5.3 From opposition to governance**

When political parties capture State instruments through a revolution or democratic process they deploy their own preferred candidates in key positions to manage and implement their policies, for better or worse. The DA democratically captured the provincial government and it has deployed political managers to see the implementation of policies. Policy is usually discussed within the party at policy conferences either while the party is in power or outside of it. DA policies were drafted by few party members who would then present these policies to ordinary party members. I found no trace or evidence of an inclusive policy conference, and it was recent that the DA held an inclusive policy conference in November 2013 involving members of the federal council, MPs and Western Cape’s Member of Executive Council (MECs) discussing policy (Makinana & Mataboge 2013).

Once policy is drafted at party level it needs to be implemented and operationalised. This is done through political managers through a process commonly referred to as “cadre deployment” in South Africa. Being the governing party since 1994, the ANC is infamous for cadre deployment, however there are traces of it in the DA too. The only difference is its outcome and perceptions around each individual party. In critiquing the ANC post-Polokwane, then DA leader, Hellen Zille (2009) argued that:

“cadre deployment is deliberately designed to destroy the ‘separation of powers’ and ensure that the institutions of state act in the party’s interests. The ‘party’s interests’ are defined by a small inner circle, responsible for ‘deploying cadres’ to all positions of power”.

Furthermore she argued that:

“cadre deployment is justified by a deceptively simple argument: the people voted for the ANC. Therefore, in deploying its cadres, the ANC is acting on the mandate of the people” (Email 18 February 2014).

What can be understood from Mrs Zille’s argument is cadre deployment is designed to ensure that State apparatus or instruments act in the party’s interest but only to the benefit of a small few within the party. The party justifies this by arguing that it is in power and has a mandate which was endorsed by the electorate through elections. However, due to factions within the ANC post-Polokwane, cadre deployment was used by one faction to isolate the other hence Mrs Zille is of the opinion that the party’s interests are defined by a small inner group and in this case, the Jacob Zuma faction. I am in agreement with her reading of the situation, however, it should be noted that until recently the interests of the DA were also defined by a small inner circle. The DA’s first inclusive policy conference was convened in 2013. In essence, when a political party captures power it deploys particular individual or individuals to strategic position(s) of power (like mayors or MEC’s) to make sure that the state apparatus acts in the party’s interest in fulfilling the electoral mandate. It is not a coincidence that all MECs in the

Western Cape are DA members and are referred to as Ministers, this is deployment, cadre deployment.

A consideration of the ANC reveals that at Polokwane, the Jacob Zuma faction won and thus, certain individuals who backed Mr Zuma were rewarded and those who backed Thabo Mbeki were marginalised. Similarly, post-Mangaung, when Kgalema Motlanthe lost to a Jacob Zuma faction his supporters were systematically marginalised. This can be seen with the likes of Mathews Phosa, Paul Mashatile and Tokyo Sexwale, being Motlanthe's supporters, being omitted from the ANC's nomination candidate list for parliament. While, leaders in the SACP (see chapter 4), Mzwandile Masina (Deputy Minister of Trade and Industry) and Pule Mabe (National Executive Member) both vocal within ANC Youth League in support of Zuma their names were on the Parliamentary list. This is the nature of politics within a 100 plus years old ANC. I deliberately chose to stick with the term cadre deployment because it has been operationalised but its application is by default subjected to a party longest in governance, the ANC. The DA practices cadre deployment although with different *outcomes* and intentions.

Drawing parallels at a provincial level, where the DA governs, the Premier of Western Cape is Hellen Zille and she appoints MECs in strategic positions to implement the party's policies. I must note that Mrs Zille's first cabinet in 2009, which she selected, was predominantly white and male cabinet. Her selection at the time was criticised for not living up to the constitutional principal of non-sexism and transformation. With regards to this study I asked Mr Cameron who is Mrs Zille's spokesperson as the leader of the DA about selection criteria and cadre deployment specifically. He rejected the idea that the DA practiced cadre deployment, and stated that the party "has a rigorous selection process where politicians compete to be on a national or provincial list so that they can be elected to serve in the provincial or national legislatures" (Email 18 February 2014). When asked about Mr Winde's appointment as MEC, Mr Cameron wrote that Mr Winde "was a member of the provincial legislature and selected by the

Premier (as is her prerogative) as MEC for Finance and Tourism when the DA took power in 2009” (Email 18 February 2014).

This same process is no different from the ANC’s internal processes- there is competition within the ANC. The ANC’s “rigorous selection process” finds expression in a document titled “Through the eye of the needle”. Whether processes and qualities stated in the document are applied in the ANC is debatable and beyond the scope of this study. I find it strange that the DA says it is opposed to cadre deployment when they also seem to be engaging in the practice, although just with different intensions resulting in different *outcomes*. Mr Winde and other MEC’s in the province were appointed by Premier Hellen Zille as is her prerogative and all nine Ministers in the Western Cape are DA members.

Apart from cadre deployment, one also notices factions in the party. There have been media reports of the Black caucus and the liberal camp. At display on a national level the sudden sabbatical that Ms Mazibuko took to pursue a Masters’ degree. The perceived divisions (whether real or not) that “forced” her departure all indicate a party which has factions, and factions are normal and healthy as long as they are managed. When party members have different ideas about policy or who should lead them and where to, factions emerge and internal democratic processes kick in. In the DA’s case, when Hellen Zille abruptly announced that she would not be contesting to be leader of the DA this endorsed and resulted in Mmusi Maimane going head-to-head with Wilmot James. In my opinion, all things remaining the same, had Ms Lindiwe Mazibuko not suddenly “resigned”, she would have challenged Wilmot James. The DA, like the ANC, has its own internal party politics, the only difference is the DA is not in a formal alliance but it is considered to be protecting white interests, or white monopoly capital is it were.

#### **5.4 Work and Skills Programme (W& SP)**

The DA's W & SP was conceived under an assumption that the labour market is regulated by supply and demand forces. The W & SP is meant to offset the high cost of hiring young people. The programme is located in one of the Skills Development and Innovation sub-programmes which in turn has three sub-programmes. The three sub-programmes are provincial skills co-ordination, workforce development and innovation. All the sub-programmes are equally important; they all essentially work to create opportunities for growth and jobs. All the programmes are "demand-led, sector based skills initiatives which would create opportunities for employment" (DEDAT 2011/12:92). The W & SP falls under the jurisdiction of Workforce Development and the strategic objectives of all these sub-programmes are to minimise the human resource development obstacles through a co-ordinated effort at provincial institutional level with the aim of creating sustainable business growth and investment which will lead to job creation. One of the quickest ways of minimising human resource development obstacles, in other words, lower labour related costs, is through labour brokers.

When one looks at the programme and its performance review statistics, DEDAT's annual report of 2010-2011 does not mention the programme's 2009 performance or targets. The annual report reveals that in partnership with the Wholesale and Retail (W & R), Sectoral Education and Training Authorities (SETA) (W&R SETA), DEDAT managed to generate sponsorship and/or donations amounting to R 7,2 million for the programme (DEDAT 2010/11). There are other money reservoirs which are tapped in to supplement the programme, including the Western Cape provincial treasury, Jobs Fund, individual companies, and Development Bank of Southern Africa. Money generated is used for paying qualified skills development facilitators who train the youth and stipends. Simply put, the money is used to pay a service provider to minimise human resource development obstacles. The programme aims at not just creating employment opportunities, but it also strives to make a meaningful difference in the lives and work of



the youth. The impact of the programme has been independently monitored and evaluated. Although I had no access to these reports, it has been found that “80% of the learners who have been through it indicated that they had materially benefited from the programme” (DEDAT 2011/12:64).

The programme is cross-industry/sector oriented, implemented across all six regions of the Western Cape with a rural and metro split of 54% and 46% respectively with a gender split of 38% and 62%, overwhelmingly benefiting females. The programme touches on retail, hospitality, tourism, engineering and manufacturing; wherever there is an opportunity to create employment the programme is willing to assist. The youth is linked to the programme through business chambers, municipal forums, and government departments in the Western Cape, word of mouth, marketing and various networks in youth projects. Ultimately the W & SP was developed with the aim of giving “unemployed youth the opportunity to gain skills and work experience in order to boost and improve their chances of full-time employment” (DEDAT 2010/11:64). In its early stage the programme has managed to get support and buy-in from local stakeholders who ensure that the youth recruited from relatively rural FET Colleges (now nationally referred to as Technical Vocational Education and Training [TVET]), receive basic and advanced skills training and are placed with employers within these areas without having to relocate to find employment. A partnership with the South African Oil and Gas Alliance has also resulted in hosting youth who have technical interests in areas such as boilermaking, welding and fitting; once again, DEDAT is integral in this relationship.

W & SP is an Active Labour Market Policy (ALMP) because there is a public transfer of money that is “linked to some form of activity (usually subsidized work experience or training) with the aim of helping jobseekers obtain gainful employment” (O’Higgins 2001:109). W &SP promotes wage employment through a combination of subsidised work placement and vocational training. Additionally, the W &SP seeks to create employment and increase labour force participation in order to keep the youth away

from trouble and social ills. By targeting the youth, the DA government, through state apparatus addresses some parts of the “Coloured question”. The programme’s performance for the financial year 2010-2011 as outlined in table 5.2 below.

**Table 5.2: W & SP Performance (2010-11)**

<b>Workforce Development</b>	<b>Target 2010/11</b>	<b>Actual 2010/11</b>
<b>Number of jobs facilitated/ Sustained</b>	800	485
<b>Value of funding leveraged</b>	R10m	R10.834m
<b>Number of people trained</b>	500	611

Source: DEDAT 2010/2011

From the table above, the target for the number of jobs planned to be facilitated/sustained was 800; however, only 485 were actually facilitated. The programme also indicates that it trained 611 people. Let us “park” the word sustained for now and focus on two words, facilitated and trained which are used in the 2010-2011 DEDAT annual report. Both words have connotations and in this context facilitated could mean *make easier, less difficult or help*. The word facilitated shifts responsibility, I interpret it to mean creating employment, since in an event employment materialise DEDAT will report it as permanent employment under “retention rate”. Let us put facilitation aside and focus on training since in the 2011/12 annual report the former category is collapsed into training, see table 5.3 below. Apart from facilitating employment opportunities the programme also provides work readiness training for young people and it aimed to train 500 youth. It is noteworthy that 611 were actually

trained, however, are the same people trained the ones work was facilitated for, or are they a different group? The answer would seem that those who were trained and jobs facilitated for are two different groups. For those trained, what were they trained in and did the training lead to opportunity for work placement?

**Table 5.3: W &SP Performance (2011-12)**

<b>Workforce Development</b>	<b>Actual outcome 2010/11</b>	<b>Target 2011/12</b>	<b>Actual 2011/12</b>
<b>Number of Jobs facilitated</b>	N/A	500	512
<b>Number of people trained</b>	611	500	512
<b>Value of funding leveraged</b>	R10.834m	R5m	R5.635m

Source: DEDAT 2011/2012

The first interesting thing one notices with the above table is the N/A, under the very same row in the 2010-11 annual report, the figure 485 is reflected. However, in the 2011-12 annual report that figure is not available. When it comes to funding a target of R10 million was set to be leveraged and that target was eclipsed by over R800 000. Again the word, leveraged has many connotations; I interpret the word as meaning, *target for funding to be raised through various means*. From the 2010/11 annual report, two amounts are reported as being leveraged, R7.2m and R 10.8m, the former was leveraged from Setas, and the latter amount is the total amount leveraged, including money from Setas. The active role that Setas play here is important, to recall from chapter four, Setas were set up to replace the Industry Training Boards which were in

place during Apartheid they are stakeholder bodies where both trade unions and employers are represented. They are “supposed to be the key intermediaries in the relationship between training and economic and social requirements” (Allais 2012:634).

#### **5.4.1 Weaknesses and Strengthens of *W &SP***

The programme has matured with time and improvements are made by addressing inefficiencies and weaknesses that have been identified from the first phase. Using the lessons from its first phase, targets were revised and the planning of the programme was improved. One of the weaknesses highlighted was a lack of emphasis on soft skills and technical training during induction; these were not provided, and it contributed to the dropout rate. A holistic approach to training and work readiness is currently in place. Again here, the provincial government realise that supply and demand is just not enough, creating employment opportunities for the youth alone will not remedy the situation; soft skills training is equally important. What is clear in the programme is a strong emphasis on skills and training and not necessarily wages. The 2012/13 annual report states that:

As of 31 December 2012, a total of 790 learners successfully completed the Life Skills and Job Readiness Training in all six regions of the Western Cape, Cape Metro, West Coast, Cape Winelands, Central, South Cape and Overberg. The course training content consisted of the following: emotional intelligence, personal finance, dealing with stress, time management, basic conditions of employment and communications in business environment, team work, health and wellness (2012/13:99).

Two other major factors, stipends and skills mismatch, were found to be contributing to the dropout rate of youth participants in the programme. The stipend was below the minimum wage within respective sectors, and skills the youth possessed were not

aligned to company's needs. Skills mismatch, which largely deals with how the youth are allocated a job is an indication that employers are looking for particular characteristics in workers. It is a tacit admission that preference will be given to particular individuals. Since labour supply is not homogenous certain individual will be at a disadvantage. DEDAT has taken necessary steps to address these weaknesses by increasing the stipends and making it obligatory for host companies to supplement the stipend to near at least minimum sectorial wage. They have also adjusted and improved the matching techniques to better match unemployed youths with companies.

One of the programme's achievements is some youths move on to lucrative jobs; this, however, I could not verify. The 2013-2014 annual report, reports that:

2 177 learners were contacted during the tracking process. However, the majority of learners were not contactable or had changed addresses and/ or contact details. Learners also often get jobs in the financial year, however we do not receive the evidence in time to report in the financial year at hand (2013/14:119).

In the 2010/11, 2011/12, 2012/13 annual reports I could not find any report on the tracking process or evidence of students having moved to other jobs, lucrative or otherwise. A tracking process is mentioned in the 2013/14 annual report. One study which is mentioned in the 2012/13 annual report is an impact assessment on the economy. DEDAT refers to economic impact as "the effect on the level of economic activity in a given area as a result of some form of external intervention in the economy", in this case, the external factor being the stipend (2012/13:99). The following was found to be the impact that stipends had in the economy:

- Over a five year period DEDAT spent R37m on stipends on Learners (Phase 1-5)

- As a result of learner's spending this money in the Western Cape economy, over five years R72,8 million was generated in new business sales; of which R19 million was in indirect new business sales, and R16 million was in induced new business sales. This resulted in
- increase in production output, or new business sales, resulted in an increase in the gross value added in the Western Cape to the value of R29,7 million ( 2012/13:99).

Despite its strengths or weaknesses, the ultimate indicator of success and effectiveness of the programme is meeting targets it set out. In other words, did the programme create, facilitate or sustain the jobs it said it would? I will be working with the word opportunities because during the field work interviews, both Mr Winde and Mrs Logdhey argued that the programme does not claim to create employment but work opportunities; again this shifts responsibility. Notwithstanding this, what cannot be ignored in the 2012/13 annual report is the flexibility in words, a shift from facilitation/sustained, to training and now number of working "opportunities" is used. This shift can be explained as moving the goal posts, tantamount to policy uncertainty, I argue.

Nevertheless, the measurement (targets) is still the same, what has changed are the words. The targets that the programme says it wants to achieve is important, if targets are reached this strengthens the programme and if missed, it weakens it. In an event that targets are missed, emphasis shifted towards the social aspects of the programme, like the soft skills training that is mentioned above. Although this is not a bad shift, what the shift implicitly indicates is that the labour is socially influenced and regulated. Below is the programme's performance targets for the annual year 2012/13, what has been aggregated is number of working opportunities, which has shifted from training to facilitation, a clear indication that those being trained and working opportunities are two different groups which might come from the same initial big group which is split (see table 5.4 below for results).

**Table 5.4: W &SP Performance (2012-13)**

<b>Strategic objectives</b>	<b>Actual achievement 2011/12</b>	<b>Planned target 2012/13</b>	<b>Actual achievement 2012/13</b>	<b>Deviation from planned 2012/13</b>
<b>Number of working opportunities: Work and Skills</b>	443	750	260	(490)
<b>Number of people trained</b>	512	750	790	40
<b>Value of funds leveraged</b>	R5. 635m	R5m	R1.175m	R3.825m

Source: DEDAT 2012/13

What is revealing in the 2012-13 annual report is the massively missed target of 750, and a revised actual achievement of the 2011-12 financial year, from 512 as reported in the 2011-12 annual report, to 443 being reflected in the 2012-13 annual report. I could not find a reason for targets being N/A and then appearing in other annual reports or changing from one report to the other. Reasons for the missed target of 750 which translates to a shortfall of 490 are according to DEDAT due to Industries having:

Absorbed labour more slowly than predicted, supporting the understanding that economic growth has not resulted in significant job creation for unskilled and entry level positions. Demand factors that are external to the project such as high input costs, excessively, restrictive labour regulation, and low productivity overall, has also restricted labour absorption (2012/13:102).

The first sentence above acknowledges that economic growth does not translate into job creation for unskilled workers-most occupy entry level positions. Second, local economy has little influence on exogenous global factors, and for the purpose of this chapter, South Africa can be viewed as being part of global factors, be it at a regional level. A combination of the two sentences underscores the dynamics of local labour markets and the point that all labour markets are locally constituted (Peck 1989). Reasons provided for a slow labour absorption are a proxy for a missed target since the stipend is meant to offset or circumvent the reasons. Additionally, at 52, 1%, Western Cape has the second highest labour absorption rate in the country (QLFS-Q3:2013).

When the 2013/14 annual report is analysed, I argue that the number of work opportunities which have regressed cannot be due to low productivity or labour laws, something deeper and more structural like the design of the programme is at play. Most importantly, the missed targets are a clear indication that the labour market is not regulated by supply and demand mechanism.

**Table 5.5: W &SP Performance (2013-14)**

Strategic objectives	Actual achievement	Planned target	Actual achievement	Deviation from planned
	2012/13	2013/14	2013/14	2013/14
Number of working opportunities: Work and Skills	260	450	106	(344)
Number of people trained	790	1000	1241	241
Value of funds leveraged	R1.175m	R51m	R76.7m	R25.7m

Source: DEDAT 2013/14



From the table above, apart from the 450 target being missed by 344, what is revealing in the 2013/14 annual report is the enormous amount of funding the programme is able to generate. Notwithstanding funding in abundance, this has not translated into job opportunities but more soft skills training. The focus on skills training is positive, the irony is, this means services provider benefit substantially since DEDAT does not have the capacity for such an undertaking. In a context where working opportunities are not materialising at the same pace as the number of people being trained, then skills training becomes a challenge. Notwithstanding, the other major positive is that the programme is aligned to three of the six elements of the youth employment strategy outlined by the government in the Youth Employment Accord which was signed by organised labour, government, organised business, community and youth formations on 18 April 2013 at the Hector Peterson Memorial.

With regards to the youth employment strategy, the other three elements are covered by other programmes in the province. The first element is concerned with education and training and sets out to improve training opportunities for young people who are between school-leaving and first time employment. The second element seeks to connect young people with employment opportunities so that they can receive workplace exposure. The third element is the public sector measure which aims at placing youth in government programmes like the Extended Public Works Programme (EPWP). Although this element is not addressed by the W & SP, it is covered by the Premier's Advancement of Youth Project (PAY) in the Western Cape.

PAY aims to place 1 000 learners in government departments for a period of one year to gain workplace experience. It is worth noting that more than three of the beneficiaries of the premier's PAY are now members responsible for the W & SP; Byron Jacobs (the translator) is one such individual. The fourth and fifth elements are youth targets and

entrepreneurship; these elements are also covered by other programmes which fall under the Integrated Economic Development Services within DEDAT. The last element is private sector measure which is where the W & SP has positioned itself. What is clear is that the programme complements the first, second and last elements of the youth employment strategy as outlined in the accord.

#### **5.4.2 labour Incorporation**

In the section above I discussed the performance of the W & SP with a focus on funding and number of training, facilitation, and work opportunities created. I also discussed some of the weaknesses and strengths of the program, one of the strengths being a particular focus on the youth as a human being and not a commodity. Focusing of the youth as human has resulted in more attention being placed on soft skills training. Soft skills are important since they dispel the notion that labour is a commodity, in a true commodities sense. In this section I will demonstrate how labour is socially regulated by the programme using Peck (1996) process of incorporation, allocation, control and reproduction. The process of incorporation is a process of individuals becoming wage earners; in this case, the questions of how and why the youth become wage earners are answered simultaneously.

The programme incorporates the unemployed youth into the labour market geographically and administratively. To qualify for incorporation you are required to be between the age of 18 and 34, reside in the Western Cape, have a working bank account, and be in possession of a South African identity document (ID). Furthermore, the minimum qualification one must have is matric or a NQF 4 and lastly, one must be unemployed (see appendix 1). Due to geography or administration the process of incorporation disqualifies certain youth. For example, geographically, unemployed youth who reside in the Northern Cape or Eastern Cape cannot participate. Age also

disqualifies so too does not having particular documents, like an ID or a matric. However, due to the government offering a free ID for first time applicants, I am of the opinion that the youth have this important document and appreciate that there are those who do not have it. In an event that you do not have an ID, you cannot open a bank account; you cannot participate in the programme. Therefore, geography, age, social document-ID, filters and therefore, advantages or disadvantages particular youths in the labour market. This is social regulation.

When you meet the requirements, a service provider, Workforce Group, which was awarded a tender would assist with the recruitment and selection process in the programme. Workforce Group falls under Workforce Holdings, listed on the Johannesburg Stock Exchange (JSE) AtIX, the company which was established in 1972 specialises in temporary employment service staffing. Workforce Group five primary core business segments are; staffing and recruitment, training and consulting, financial and lifestyle products, employee health management and process outsourcing. In other words, the company provides comprehensive human resource management from supplying temporary staff, management to administration, and on any given day the Group through its affiliate/ subsidiary companies deploys more than 20 000 outsourced staff (Workforce 2015). The Group has a broad range of clients in different sectors, from transport to shipping and logistics, construction to manufacturing, and healthcare. The service provided by Workforce Group to DEDAT falls under staffing and recruitment, training and consulting, and process outsourcing- incorporation and allocation of labour.

Viewed from a human resource aspect Workforce Group used to administer payments of stipends and provided life orientation and induction training to assist the learners once in the workplace on behalf of the DEDAT. The recruitment, selection and payments process are no longer handled by the Workforce Group; at the time of my fieldwork in 2013 a tender was out. I was told that the change of the service provider is

due the contract coming to an end, and DEDAT wanted to handle more of the functions and operations of the programme.

Once the unemployed youth meet the above stated requirements, they are recruited and selected-allocated an employer. The process of incorporation and allocation also involves an induction phase for a week during which DEDAT officials, together with skills development facilitators from Workforce Group provide life skills and work readiness training. The process of induction acts as a sifting phase with the aim of identifying individuals likely to dropout and intervening if required. The missed “working opportunities” targets highlighted above could be due to the design of the programme at this stage-sifting phase, and a strong soft skills training component is attributed to the service provider at the time.

### **5.4.3 Labour Allocation**

For allocation purposes see appendix 1. The process of allocation involves employers filling in a form indicating their demands or needs, in other words. The questions which companies are asked to address are as follows: the job description, number of placements it wants, preferred gender for the position, preferred age group (18-24, 25-29, 30-35, or no preference) and skills required or learner profile. This information from employers is captured on the database, cross-referenced with a learner’s details and the matching process begins. The difficult and interesting part is when there are 10 matches and the company has only requested five youths- who does not get selected or does becomes a subjective exercise. Allocation is managed by both Workforce Group and DEDAT based on matching supply and demand, however, it is socially mediated by certain characteristics -age, gender, learner profile, and skills preferred.

Workforce Group also conducts a second round of matching learners with host companies. This is based on functional requirements or work experience and this process either confirms pre-selection matches or finds new suitable matches (see appendix 1 p2-3). Ultimately, it is the host-company that has the final decision in the placement of a learner, however, given its experience in temporary employment services, Workforce Group's recommendations are taken serious. The processes of pre-selection and finalization are just "cleaning" process that companies have effectively outsourced to DEDAT and managed by Workforce Group. The unemployed youth once matched with a company are not only allocated a job, but the title of 'learner' too and are referred to as such, even in the annual reports. The respective youth could be any age ranging from 18 to 34. The word, learner has connotations in this context. It is synonymous with the word, student; however, the word, student suggests a secondary and tertiary educational institution, just as much as the word pupil suggests a primary education environment. I associate 'learner' with trainee in the sense that the individual will be receiving job specific training in a particular vocation. Learner will thus be referred to as trainee.

In an ideal and fair world, depending on the company's preferred requirements, people are appointed because of their achieved credentials, skills level and proven qualifications. The processes of incorporation and allocation which are social process by orientation suggests that it would be quixotic to argue that labour markets operate in an ideal supply and demand way; labour markets ascribe status to particular characteristics such as race, age and gender (Peck, 1996). This is why a company indicates a preference for all three of these characteristics (see appendix 1 p3). Similarly, with the level of qualification required, a matric or the equivalent thereof suggests and implies a degree of discrimination against those who do not have a matric. Ascribed statuses are often used by employers to their advantage and this directly influences labour market allocation in profound ways. In a female dominated clothing manufacturing industry, for example, I have observed that sewing machine operators are mostly females while machine cutters are predominantly male. When one

goes to a local butcher, meat cutters are overwhelmingly men while women operate the tills; similarly, in mining Benya (2009) observed that women are allocated differently in relation to men who generally work underground.

#### **5.4.5 Labour Control**

Once the trainee has been incorporated and allocated to a company and job, they now need to be controlled. Control refers to the structure of the employment power relations or structures which incorporate three key features, namely, length of employment contract, productivity and determination of remuneration for work done (Bezuidenhout, 2008). The nature of the employment contract trainees are put on is temporary full-time or part-time. First, the trainee is placed on probation, evaluated for six months and an additional three months is mandatory. So in total, observation and evaluation is for a period of nine months; six months' probation and three months contract subject to being renewed. This distinction is important because stipends are only paid for the first six months, the remaining three months companies must take full responsibility of remuneration. In relation to remuneration, trainees are paid a monthly stipend of R1 500 (it was initially R1 200) directly into their bank accounts. The host-company has to supplement the amount with a minimum amount of R 500. Therefore the minimum remuneration a trainee can receive while on the programme is R 2000.

Full-time employment is dependent on how hard trainees work, as well as on other economic or business factors beyond their control. Temporary full-time or part-time trainees do not enjoy the same benefits that permanent employees are afforded such as a medical aid contribution, paid sick leave and no paid annual leave. While I acknowledge that trainees are gaining work experience, I cannot ignore that probation period also acts as a mechanism of control; during this time, the trainees know that they are being monitored, they are aware that to be absorbed they need to work harder than

permanent employees and they are likely to come to work even when sick to show dedication to the company. They are also likely to put in extra hours when required without complaining. Many will put up with virtually anything because to be employed in a permanent full-time capacity depends on individual effort; this is how self-blame operates if one is not absorbed after nine months.

#### **5.4.6 Reproduction**

Reproduction is the biological procreation, education and training, and clothing and caring of humans; it hinges not only on the labour market but on the household, the community and the state (Bezuidenhout 2008). Like a loop, the way labour is incorporated, allocated and controlled feeds into labour supply; in other words, labour reproduction. Reproduction in this case depends on the trainees' socioeconomic circumstances, household dynamics and ultimately, the ability to secure permanent employment. Permanent employment is crucial for labour reproduction, given that wages in general do not fully cover social reproduction costs. The reality is, able bodied individuals who do not qualify for social grants need employment or employ unorthodox living strategies (livelihoods) to meet basic material needs for food, clothing and shelter. Employed or unemployed, individuals have reproduction costs, and while social grants have contributed to poverty reduction and reproduction costs for some who are unemployed, a consideration of Reynolds and Rogan's (2015) research reveals that the labour market as an institution has not done enough to reduce poverty. Reynolds and Rogan's (2015) research read in tandem with Kenny's (2001) study show that the type of employment contract one has impacts on the household and subsequently, labour's reproduction capacity.

In her research in the retail industry, Kenny (2001) found that the type of employment contract in a household determined the kind of services that the household could

access. Households with permanent employment had access to formal housing, electricity, water and sanitation. However, households supported by casual jobs lacked these provisions and usually resided in informal settlements. Kenny's argument is that labour market flexibility does not only stratify workers on the shop floor, but also stratifies households; those supported by a casual job are likely to be subjected to a low standard of living. Kenny further argues that workers with casual jobs supported households that:

“have fewer resources to invest in job search efforts and networking, and fewer resources to put into means of self-provisioning that may supplement their poor wages... In the longer term, far from enabling households to hang on, dependence on meager, marginal jobs will erode working class households' economic positions and diminish the likelihood of these workers getting more sustainable jobs. Tenure in 'bad jobs' coupled by a shrinking 'good job' pool can lead to a disconnection from the labour market” (Kenny 2001: 104).

Although my research did not examine the dynamics that Kenny (2001) investigated, I am of the opinion that her research read in tandem with Reynolds and Rogan's (2015) research are noteworthy and great substitutes to cover for this chapter's limitation. The next section will look at the two factories visited, and the processes of incorporation, allocation, control and reproduction in practice.

## **5.5 Case Study 1: Precision Press**

The first company I visited during my fieldwork was Precision Press; it is located 20 minutes away from Cape Town. The automotive pressing and components manufacturing factory is located in the heart of the northern Cape Town suburb of Bellville which is not very far from the University of the Western Cape, Durbanville and Stellenbosch. Some of the components that are manufactured are exhaust end caps, shock absorber brackets, shock absorber spring seats, brake line brackets, airbag



housings, holder assemblies, seat belt brackets and buckles. On their website the company states that in 2010 it had sales in excess of R 60 million and employed 160 people. I was, however, informed by a reliable source that in 2013 the company had expanded and employed well over 200 employees running on a three eight hour shift system-3 shifts a day, each 8 hours long.

At the company I managed to interview two former trainees who were employed permanently, as well as the Learning and Development manager, Mr Raynier Deysel in a paired interview; as previously explained I did not anticipate this. I was unable to enter the factory so as to observe the production process because of safety concerns and I also did not have Protective Personnel Equipment (PPE). From outside the plant I saw a flat thin metal sheet being fed into a machine called a presser which created or cut the metal into shapes. These shapes were taken to another machine, a 'die set' which creates different components for cars such as airbag holders, springs and exhaust pipes, it all depends on what one wants to manufacture. The process in engineering terms can be described as follows:

“Stamping (also known as pressing) includes a variety of sheet-metal forming manufacturing processes, such as punching using a machine press or stamping press, blanking, embossing, bending, flanging, and coining. This could be a single stage operation where every stroke of the press produces the desired form on the sheet metal part, or could occur through a series of stages. The process is usually carried out on sheet metal. A stamping press is a machine press used to shape or cut metal by deforming it with a die. ‘Die’ is a generic term used to describe the tooling used to produce stamped parts. A die set assembly consisting of a male and female component is the actual tool that produces the shaped stamping” (Fournier & Fournier 1989:37).

Precision Press also does tool designing, manufacturing and maintenance. The factory does an on-site zinc-nickel coating and they credit themselves as being the first metal pressing company in South Africa to offer this particular service. They are a problem-

solving orientated company. The manager advised me to visit their website where I would be able to download a video in order to get an idea of what they do.

Interviews were conducted in a room that was set up like a classroom; inside the room a projector was placed in the middle of what resembled a brown table in a high school. The two male employees interviewed one was white and the other Coloured, aged 24 and 30 respectively. Mr Leroy was a 30 year old relatively quiet Coloured male who indicated that before participating in the programme he was unemployed and at home for four months. He had previously had a few part-time jobs; the last one was at a construction site. Mr Starydom was a 24 year old very outspoken white male who before participating in the programme had worked at Cash Crusaders as a salesman. He first got introduced to the company when a friend told him that people were needed to clean tools. Mr Straydom then got involved with the W & SP through Precision press.

It is important to note that trainees do not only get incorporated in Precision Press through W &SP, but the company has embarked on other proactive measures. A training academy is one such initiative. The established academy is aimed at equipping high-school graduates with the skills required in the manufacturing sector with the hope of instilling organisational and cultural norms of the industry. While I was there I was told that one group that had already enrolled in the programme was about to complete it. Modules in the programme cover aspects of manufacturing concepts, core and processes-related issues. The trainees are also taught practical engineering skills like the use of hand tools, drawing, measuring equipment, and setter training and development including tool, jig and die model making. In addition to the academy, the company also offers in-service training for college students including internships for graduates wishing to gain engineering experience.

### **5.5.1 Incorporation**

Precision Press trainees are required to watch an induction video which is 15 minutes long which covers health, but mostly safety issues focusing in the work place. Trainees also go through a couple of independent assessment tests including an entrance mathematics test. According to Mr Deysel, after the completion of the assessment test the dropout rate is usually 30%. Exceptions are made even if one fails the assessment test or does not have a matric or equivalent thereof, and this was the case for Mr Leroy and Straydom respectively. Even though one of the trainees did not have a matric and the other failed a test, their work ethic, and practical know how helped them to participate in the programme and be employed at Precision Press. This was possible due to both had previously worked at Precision Press before.

Once relevant assessments are completed trainees undergo training on three different machines in the factory, including a die set assembly and a presser. Once the training is complete, the trainees are placed as general workers and further tests are carried out periodically. Once those are completed, the trainees are placed as Setters. Precision Press's incorporation and allocation process is a textbook demonstration apprenticeship system and what at factory level skills training occurs.

### **5.5.2 Allocation**

Placing trainees as Setters is straightforward as it responds to business needs; there is a shortage of Setters in the metal pressing industry. Mr Deysel remarks that:

“If you place an ad (advertisement) tomorrow and you can add, any, any salary to it, you place an ad for setters in the metal pressing industry sector and you put a salary of R 20

000 on it, you will only get these three, four or one inside...and these two will apply you will only take these two” (Mr Deysel, interview 11/11/2013).

To be a skilled Setter one must be competent in mathematics, know how to follow procedures (instructions) and be able to work backwards. One of the questions I posed to the two gentlemen was: “What sort of skill does one need to have to do this job (be a Setter)?” almost simultaneously, they both said maths, and a bit of general knowledge were needed. Being the more vocal of the two, Mr Straydom further explained what a Setter does:

“A setter is basically ummmm mechanical driven, where we have to change tools, coils, there is certain procedures, there is always procedures that you need to follow. If you don’t follow that procedure, and I’m talking about the production by the millions, and the tools that make the products are a couple of millions themselves. So if you don’t know what you going to do, it’s so easy to do one thing before the other, you can break the thing [machines]” (Mr Straydom, interview 11/11/2013).

From his explanation it is very clear that Setters have to follow procedures and sometimes they have to apply some knowledge. Working backwards is also important, if something goes wrong in the procedure, you must be able to trace back your steps and locate the problem. Apart from Mathematics and following procedures, I also wanted to find out what their understanding of skill was. I asked them a direct question to find out what they understood by skill. Mr Straydom said that “a skill is difficult to learn, but not everybody has it” and Mr Leroy remarked that “a skill is doing something over and over and over again until you understand it, until you find it easy to do...you have to practise to have a skill” (interview 11/11/2013). For trainees, a skill is a task. If one completes a task successfully then one is skilled.

### 5.5.3 Control

Once incorporated and allocated a job as Setters, trainees are controlled and this occurs on three levels: following procedures, meeting production targets and remuneration. Using procedures as a form of control has three objectives. First, it increases efficiency, second, it reduces the risk of manufacturing defects and last it leads to product certainty. Following procedures leads to the second form of control, production targets. The importance of production targets was made pertinent by Mr Straydom when he remarked that if a machine breaks the company loses money in the millions and thus, knowing what to do was important so as to avoid costly mistakes. The last form of control is remuneration.

I was told that the stipend was just to cover transport costs for the trainees and they get paid a lot more than the stipend. Since Setters are sought they are looked after in metal pressing industry which Mr Deysel described as not experiencing a skills gap, but a skills shortage. Mr Deysel argued that one of the reasons for a skills reproduction crisis in the industry was due to the weak education system in the country and the dropping standards in mathematics. He made the following remarks about skills training and employment:

“We (Precision Press) spend R 50 000 a month, on wages, resources, equipment facility to get these learners up to this level [required skill level], and it doesn’t take six months to get to a level where we can say you know what, one of two things, we can employ them...and secondly we cannot employ them so we equip them with good skills, we source employment for him. We not at that stage yet, because we cannot satisfy our own skill requirement (Mr Deysel, interview 11/11/2013).

What is revealing about the quote above is the acknowledgement that the youth need training for skills development purposes. Training requires money, time, and willingness by employers. In this case wages are not a problem; it is skills and the cost of training new employees to get to a point where they are productive. This is what the DA means when it speaks of “hiring costs”. It is very rare that one will come to a job as a readymade package, some form of training has to take place, and to a large extent Setas are responsible for this.

Skill training is linked to factors that influence social reproduction process of trainees, their education and training, clothing, nutrition, and general well-being. The process of social reproduction cannot be fully assessed in this case, however, as discussed above, Kenny (2001) and Reynolds and Rogan’s (2015) research are a great substitute for this limitation. In this case trainees indicated that they lived at their family homes, were single, not married, and did not have any children. These factors play a big role in the process of reproduction because they have fewer people with whom to share their wages with. All trainees who were placed in Precision Press through the W & SP are now permanent employees and are Setters.

## **5.6 Case Study 2: Hisense**

The second factory I visited was Hisense, founded in 1969 as a small radio factory in China, the company has now grown to become a multibillion-dollar global conglomerate boasting a workforce of over 60 000 worldwide (Hisense 2013.) The recognised world leading provider of electronics entered the South African market in 1996, the same year that Growth Employment and Redistribution (GEAR), a neoliberal policy was introduced as the country’s macro-economic policy. With offices in four city centres, namely, Johannesburg, Cape Town, Centurion City and Midrand, the conglomerate decided to start up in Atlantis, 40 kilometres outside Cape Town. The reason to start up here were

simple-high unemployment and government incentives. Companies that start locate their business in the area are incentivised by the Western Cape government. This is an example of government playing an active role in creating necessary enabling environment for companies to conduct their business and create employment for the youth- 90% of Hisense's workforce is from Atlantis.

When Hisense opened its factory doors in Atlantis in January 2013 R 350 million was put into the first phase of the plant. The plant which at the time of the field work only manufactured televisions and refrigerators created 430 production positions in the first phase; 270 positions are in the refrigerator plant and 160 in the television plant. The state of the art consumer electronics and home appliance manufacturing plant is capable of producing 400 000 refrigerators and televisions per annum. In addition to these products the company also distributes some of its products to over 3 000 chain stores and 500 home appliance franchise stores, and exports products to more than 10 countries in neighbouring countries; Namibia, Mozambique, Zimbabwe, Malawi, Zambia, Botswana and Lesotho (Hisense 2013).

The main entrance leads you to a foyer which also serves as a display area. On display were Hisense products; microwave ovens, flat screen televisions and refrigerators. I conducted three one-on-one interviews with Mrs Michaels, the Human Resource (HR) manager, and two Coloured female employees who were trainees: Ms Bianca, aged 25 and Ms Maxine, aged 26. At Hisense, as at Precision Press, trainees who are part of the W & SP undergo a programme of induction that lasts for a week. Ms Bianca and Ms Maxine underwent training provided by the company. Mrs Michael explained why this was important:

“At this moment because we are a very new company, all the people being employed are totally unskilled, they get brought [in Hisense] and receive training for a month. They

don't become skilled overnight you know so, it's an ongoing process they will get training as they go along, training on the line" (interview 12/11/2013).

Even though there had been a Defy factory in Atlantis before Hisense started operations, Mrs Michaels stressed that manufacturing a refrigerator was different to manufacturing a television-the skills required are different. In order to manufacture the former, "you build a metal cabinet, insulate it, and fit shelves, a door, compressor and condenser" (Webster *et al.*, 2008:51). Manufacturing a television is different because one requires more components which are small, and with new technology and machinery the production process has also slightly changed. So even if one had worked at a Defy factory, you would still need training to work at Hisense. The training provided by Hisense is done through a skills-transfer programme as Hisense brings its own technicians and engineers from China to conduct the training, and all plant employees benefit from this.

One of many employees to benefit from the skill-transfer is Ms Maxine. Born and bred in Atlantis, Ms Maxine who turned 27 in December 2013 lived with both her parents and four siblings. All the members of her family were employed with the exception of her sister who was still at school. A Double Checker before, Ms Maxine had been employed for six years by IBI, a security company which renders its services to retail stores. She explained what a double checker does: "Any stock that comes in, we double checked and then we capture the invoices" (interview 12/11/2013). She resigned at IBI to pursue a career at Hisense. Ms Maxine found out about the opportunity at Hisense through a friend (word of mouth) who told her to send in a CV; this she did and was later called in for an interview. After the interview, she was informed about the W & SP.

In this case, Hisense carries out the initial stage of recruiting and selection, and then recommends or directs candidates to DEDAT for placement. The reason for this is



simple, cost: once learners come in through DEDAT, they qualify for a stipend and thus, this reduces Hisense's wage bill. The second learner interviewed was Ms Bianca who was 25 years old and the eldest child in family of five. She too, lives in Atlantis with her parents and at the time only her younger brother and herself were working. With both parents not working this was the first time Ms Bianca had been employed since finishing a three year course in hospitality in 2010. It appears, with a certain degree of certainty, that Ms Bianca could not find a job because Atlantis is not a tourist attraction unlike places like Khayelitsha, Gugulethu and Cape Town. She explained that she had to work "because nobody at home was working and I had to bring the extra income" (interview 12/11/2013). Although her brother was working he was not earning enough money to run the household. Due to this, Ms Bianca was left with little or no choice but to seek employment and like Ms Maxine, she first heard that Hisense was hiring workers by word of mouth. She also sent in her CV, got called for an interview and was directed to DEDAT for the W & SP.

Mrs Michael explained to me that allocation is conducted through a job spec (specification). The two learners and all learners who came through DEDAT in January of 2013 were all placed in the TV factory because they were considered unskilled. The production process of manufacturing a TV is divided into three sections: Service Mount Technology (SMT), Incersion and assembly. The two female trainees were both placed in the SMT department as machine operators. However, after spending a month in the department, Ms Bianca was moved to the Human Resource Department as an assistant. This was largely due to her having a qualification in hospitality. She told me that at first she used to do basic HR work, mainly recording the number of products manufactured, the number of defects, and how many defects had been caused by machines or operator negligence. Her job had since changed as in December 2013 she started in a new position because one of the Chinese workers left for China.

With more experience working in the SMT section as a machine operator, Ms Maxine explained the job of as operator as follows:

“So basically the board runs through the machine, so we just feed the components every time on the machine, the machine does everything, if there is a problem on the machine, we just fix the problem on the machine and we just feed the machine components” (interview 12/11/2013).

The machine appears to be a very important tool as it feeds all the small components on the board and thus, this makes it the ‘nerve centre’. Once again procedure is important because one has to know which component to feed the machine and at which time. One cannot randomly feed the machine components; Ms Maxine seemed to have figured it out as she stated that if one can master the machine, one has mastered the job. However, unlike with being a Setter, the machine in this instance controls the speed at which the worker works.

### **5.6.1 Control**

Similar to Precision Press, trainees are controlled on three levels; following procedures at speed of the machine, meeting production targets and remuneration. The only nuance here is the relationship that machine operators in the SMT department have with the machine- the machine dictates the speed. Even though procedures have to be followed, the speed of the procedures is controlled by the machine. With regards to production targets, Mrs Michaels explained to me that the manufacturing of electronics to a certain extent is a seasonal job. Between January and July production is low and from August to December productivity increases. In January people usually shop for school uniforms, stationery and such things while from August until December people purchase a lot of electronic appliances, clothes, food and Christmas presents. Therefore, even though there are production targets, this determination is seasonal. I was not taken on a tour of the factory. However, having been to Hisense and witnessed

the production process, Ms Loghdey remarked and was impressed that a television could be manufactured “in about 15 minutes flat.”

With regards to remuneration, all trainees regardless of whether they are on the W & SP they are given a fixed-term contract for six months. When the contract expires, they are assessed, evaluated and a decision is taken on whether they will be given a permanent contract or not. Hisense is a new factory and thus, it is not difficult to become a permanent employee; all the trainees who came through DEDAT are now all permanent employees. At Hisense, the decision of whether to employ a trainee permanently or not is done after six months, and not nine months. This, however, does not mean that the three months which are mandatory for the trainees to be employed are disregarded; it just means that trainees are given a shorter time to impress.

### **5.6.2 Reproduction**

Hisense trainees offer an insight on social reproduction. Ms Bianca, on the one hand, by virtue of being the eldest in a family of five and one of two who had a job is a joint breadwinner. On the other hand, Ms Maxine came from a family of seven and when I asked her how many people in her household worked, she calmly answered that everyone worked. Ms Bianca recounted Mrs Michael asking her why she would want to work in a factory when she had a qualification in hospitality, after all, tourism and hospitality in the Western Cape is booming. She paused, and responded by saying, “I have to bring in an extra income into the family”. I, personally, worked not because my family needed the extra income. Like Ms Bianca I come from a family of five; I have two older siblings. My father is retired from politics, my mother is a school teacher (soon to retire), my big brother is a geologist and middle brother is still deciding what career to pursue. By virtue of being the last born and having access to three income streams in the family, I worked because I was tired of asking my parents for money whenever I

wanted to go out- pocket money comes with conditions. Although Ms Bianca and I both come from a family of five, we worked for different reasons and the prioritisation of our incomes is distinctly different.

Sarah Mosoetsa (2011) argues that conflict in the family arises as a result of extended family members from different generations negotiating the division of the available disposable income from the 'one pot'. Who gets what, when and how is contested and is based on the different power relations in the family. Different needs, different desires and unequal power relations all play a role on what and how disposable income is divided. Mosoetsa concludes that " in the absence of wage employment and an effective welfare state, the poor have retreated to the household and adopted diverse socio-economic livelihood activities" (2011:147). The retreat by individuals to the household shows the importance of households in social reproduction. Mosoetsa (2011) argues that most of this unpaid work is done by women, in essence social reproduction entrenches class and gender inequities. Drawing largely on literature by Folbre (1994), Mosoetsa (2011) cements her argument by reminding us that biological reproduction (child-bearing) is carried out by women. General household chores, cleaning and cooking is still predominately being carried out by women, so too is the socialisation of children. Additionally, many families in South Africa are child and/or women headed households.

Given that Ms Maxine comes from a family where everyone worked what she did with her income was to a larger extent up to her; I am in the same position. It is possible that she is expected to contribute a little towards the running of the household and also do general household chores. In relation to her income, I perceived, based on the way in which arrangements in her family were structured, that they granted her the flexibility to decide how she wanted to spend it; this may explain the calm answer she gave me when I asked her who worked in her family. This is in contrast to how Ms Bianca spent her income: it was directly channeled into the household and it was evident that she

worked to bring in extra income to the family pot. During our informal talks she expressed how proud she was of herself and the fact that the diploma paid for by her parents was now contributing to feeding them and running the household. Both trainees are now permanent employees at Hisense. Below is a summary of the two cases.

**Table 5.6: Summary of the two cases**

	<b>Precision Press</b>	<b>Hisense</b>
<b>Incorporation</b>	High unemployment Induction	High unemployment
<b>Allocation</b>	Male Setters	Females TV plant- SMT
<b>Control</b>	Production Targets Stipends	Production Targets Stipends
<b>Reproduction</b>	Not married. no children	Pregnancy, bread winner, chores,

## 5.7 Conclusion

Three important lessons can be drawn from the W & SP when it comes to the youth unemployment discourse. First, skills reproduction and training is inescapable if the country is to solve the unemployment crisis. Skills reproduction and training require direct State intervention in the labour market in conjunction with relevant stakeholder. Moreover, skills reproduction and training can only occur in a transparent environment which enables regular and honest social dialogue between key stakeholders. Institutions like Setas and NEDLAC offer such platforms for this dialogue to occur, the question is, are these institutions doing what they were set up to do? In a situation

where NEDLAC is undermined and Setas are ineffective, labour brokers occupy the latter's space and provide training, development and this comes with its own regulatory dilemmas.

Second, the W & SP showed how important skill and social reproduction is, Mrs Michaels or Mr Deysel did not mention wages, but the importance and cost of skill training. Employers training workers so that they can be productive, there is no way around this. With regards to wages, stipend were increased from R 1 200 to R1 500. If high wages cause unemployment, why increase stipends? With the increase of stipends more focus shifted towards training, particularly soft skills training through work readiness and financial management programmes. I found no evidence that an increase in stipend affected the programme's retention rate, as 70% of the trainees who have been through the programme are reported to be permanently employed or have moved to lucrative jobs. On the contrary, low stipends played a role in the drop-out rate, and work opportunities target were missed, notwithstanding, stipend increase.

Third and last, the root causes of SA socioeconomic problems are historical in nature. The cul-de-sac the country finds itself in cannot be divorced from the historical context of the country's politics and economics. The root causes of youth unemployment and unemployment generally are to be found in the labour market not because of it. Furthermore, poor educational system and economic policy cannot be exempted from contributing to unemployed. What the W & SP show is even with implementation efficiency and high labour absorption rate, the labour market is not regulated by supply and demand forces. Contrary, the W & SP through the process of incorporation, allocation, control and reproduction show that the labour market is socially regulated. Politics might hinder efficiency, however, politics and economic are both sides of the same coin, they cannot be separated.

The W & SP can be applauded for providing skills training for trainees and issuing participants with certificates acknowledging their participation. However, the weight of these certificates in labour market needs further interrogation. What also needs further interrogation is the use of temporary service employment agency by government to tackling unemployment. This contentious issue highlight that politics and economics cannot be divorced. The next chapter will address the notion of skill which is one of the themes that came up during data analysis. The notion of skills or what is a skill will be addressed within the framework of Decent Work Agenda. Whereas I argue a youth wage subsidy is a life jacket, a promise of something to come, sometime, somewhere, somehow. The concept of decent work which is discussed in the next chapter forces us to confront the social dimension of labour, and skill is embedded within the dimension.

## Chapter 6

### Decent Work Agenda: A Progressive Realisation

#### 6.1 Introduction

“High wages” are not the causes of unemployment in the country inadequate skills development and skills are. In this chapter I will problematise the notion of skill in a context where employers in South Africa tend to advance a global argument to arbitrarily justify executive management salaries and remuneration on the basis of skill and/or qualification in the absence of empirical evidence on a link between productivity and skill or qualification. For example, when looking at income distribution 60-65% of the total income in the country goes to the top 10% income earners; compared to 50-55% in Brazil, 45-50% in US, and 30-35% in most European countries (Piketty, 2014). I argue that when distribution of income is skewed, high wages as the cause of unemployment argument conveniently side-steps a skills development crisis. While business contributes financially towards skills development through a levy-grant system by contributing one % of payroll costs, it is unwilling to shoulder further responsibility beyond that.

Related, while at the top end of the salary scale a peer-to-peer global argument is advanced to “justify” salaries, this line of argument is substituted to fit the “developing economy” narrative when it comes to justifying and setting semi-skilled employee’s wages on the basis of a lack or absences of qualification, therefore skill. This substitute fuels a race to the bottom for wages while simultaneously extending the “skills ladder” for unskilled and semi-skilled employees to climb. The race to the bottom dilutes and fragments skill in the labour market and employers take advantage of this. However,



when it comes to high-end, critical, scarce skills, poaching takes place and workers with these skills take advantage of this. Therefore, the central argument I will advance in this chapter is; qualification and/ or skills, whatever the conceptual framework, play a greater role than wages in influencing ones status of being unemployed or unemployed. In a context where institutions which influence skills development are ineffective, business will either use labour brokers to satisfy their needs or will embark on an in-house skills development training. The former approach has an element of skills biased and the latter cost implication; whichever option business opts for, capital still dictates what a skill is and narrowly defines skill as a task.

The first section of this chapter will disentangle skill, knowledge and commodity, and by showing that the relationship between qualification and skill can be problematic. COSATU opposed the youth wage subsidy on two fundamental points; the theoretical assumption underpinning the programme and skills reproduction and recycling. On the latter point the federation argues that a wage subsidy does not guarantee that training and skills development will take place. When the Employment Tax Incentive was finally implemented the DA labeled it a “watered down” version. Standing out in the DA’s contention is a clause that beneficiaries of the subsidy ought to receive some training provided at the cost of the employer. The party argued that this may discourage take-up of the subsidy because it will require employees to train the youth. In this instance, skill training costs are viewed as a “cost to wages” and not as “non-wage” costs, hence the DA refers to this cost as a “hiring cost”. If some of the “non-wage” costs are argued to be making the labour market inflexible, they ought to be viewed in a context where there is inadequate skills training by SETAs.

The second section of this chapter evaluates the W & SP using the Decent Work Agenda. I argue that creating employment going forward, emphasis should be place on Decent Work Agenda. By focusing on the agenda South Africa moves closer towards poverty alleviation, reaping rewards from the demographic dividend and addressing the

skills reproduction crisis. If decent work is not emphasised in the initial stages of job creation as envisaged in the NDP, Webster argues, it ought to be progressively realised by making trade-offs along the way, I am in agreement with this. Currently, government should have programmes that emphasis strengthening and expanding the social security net to cover other “non-wage” costs which are crucial in social reproduction. However, this is something that is unlikely to occur given the little fiscal space to maneuver in the short-to-medium term. With a long term view, I recommend an “Early retirement subsidy” and a better enforcement of labour laws. Let us turn our attention to skill.

## **6.2 Skills for the highest bidder**

Skills categorisation is as problematic as defining what a skill is. Statistics South Africa (StatsSA) has three categories or levels of skill in relation to labour; low, semi and skilled labour. While analysts and commentators often speak of unskilled workers, StatsSA has no category for this. Skill has hierarchy and skills categorisation is based on occupational hierarchy; low skilled labour is characterised as having elementary skills, such as domestic workers; semi-skilled labour are machine operators, clerks or craftsmen, and skilled labour is found in managerial, professional or technician. Categorising skill does not help conceptualise skill, it only offers occupational category based on some perception of skill based on a task. A deeper look at the categories, skill, especially in the low and semi, is reduced to a task separated from the praxis of power and control. At the top end of the scale, a skill has power and control it can negotiate hence it is possible that it gets poached by competitors. While in the middle and lower categories, skill is vulnerable.

A skill as defined by the Oxford dictionary is “the ability to do something well; expertise or dexterity”. The word “something” in this definition is open to interpretation and

suggests that skill is context based. In problematising the notion of skill by underscoring the praxis of power and control, Charles Tilly argues that:

As a historical concept, skill is a thundercloud: solid and clearly bounded when seen from a distance, vaporous and full of shocks close up. The commonsense notion—that “skill” denotes a hierarchy of objective individual traits—will not stand up to historical scrutiny; skill is a social product, a negotiated identity. Although knowledge, experience, and cleverness all contribute to skill, ultimately skill lies not in characteristics of individual workers, but in relations between workers and employers; a skilled worker is one who is hard to replace or do without, an unskilled worker one who is easily substitutable or dispensable (1988:452-3).

What Tilly is alluding to is that the notion of skill is highly contested. What is considered skill is both socially and politically constructed. Skill is context based and as such the meaning changes from time to time the same way labour market regulation has shifted and changed. In trying to conceptualise skill I asked the trainees in the study what they thought a skill was and whether their work required that they learn the skill. Mr Straydom felt that a skill was difficult to learn and not everybody has skill. Mr Leroy, on the other hand, said that a skill was “doing something over and over and over again until you understand it. Until you find it easy to do”- a task (interview 11/11/2013).

For the trainees, a skill is something that can be taught and something (an activity) that one can do with ease without having to think about it. They both mentioned that they had to be trained to do the work and training was useful. For the trainees a skill is reduced to a task, in other words, as Setters, if they are given a task they are expected to complete it. Using the trainees’ definition of skill, one could fit it in any of the three categories as mentioned above. However as Setters, the trainees’ job category falls under semi-skilled as the work involves operating a machine and it is treated as a trade. Notwithstanding the fact that one trainee had an elementary qualification-matric or

equivalent and the other did not have a matric, both trainees fit in semi-skilled category for StatsSA and scarce skill category for the metal and pressing industry-since there is a shortage and not gap for Setters in the industry.

Representing employers, Mrs Michael's take on skill and work is conventional and opens room for improvement. In her view, employees are either skilled or unskilled, and she equally appreciates that skilling does not occur overnight, therefore, there will be learning on the job. If training is going to take place, time and costs are important, and employers want employees they can train in the shortest period or those who are already trained. When Hisense opened its plant the company had to train its employees through a skills transfer programme. Again, for Mrs Michael employees are skilled if they can complete a task given, equally, people can be reskilled and up skilled. For Mr Deysel, his understanding of skill is broken down into two components. He deliberated about "measurable skills". He argued that engineers from technical colleges are full of engineering *knowledge* not necessarily skill, however, "once they spend a year with me [him], they can design a component, run this component and actually improve" (interview 11/11/20130).

Mr Deysel is of the opinion that technical colleges are producing graduates who are not competent. He argues that graduates come with measurable skills expressed through a qualification, but this only communicates to an employer that the individual has mastered a particular body of knowledge. In this instance "measurable skill" is not a generic term as it confers occupational identity, like an engineer. However, having a degree or diploma after passing at a university or technical college is one thing for Mr Deysel, one must translate that certificate by creating a component that can operate; he wanted to see the certificate in practice, you must show the skill. Hence he says once graduates spend a year with him they will be skilled and competent in their work. What is particularly revealing about Mr Deysel's understanding of skills is the relationship between knowledge (measurable) or and occupational training, namely, specific skills

needed for specific jobs. Additionally, he is conscious of the role that tacit knowledge plays in skills transfer. Although Mr Deysel does not mention tacit knowledge, this refers to knowledge which is hard to uncover; experienced workers are often speak a great deal about it and they then transfer this knowledge to new inexperienced workers. It is noteworthy that Mr Deysel's understanding of skill is different to Mrs Michaels

Even though a skill for Mr Deysel is workplace orientated, skills formation is regulated and shaped by Precision Press through its own training academy. A skill, for employers like Mr Deysel is active knowledge that involves not simply knowing how a task is done, but knowing how to do it over and over again until it becomes easier to do (Fodor 1968). To a large extent Mr Deysel's conception of skill mirrors that of trainees since they were under his tautology. Trainees' conception of skill takes a form of a talented but inexperienced athlete. For example, experienced comrades marathon runners know when to push and not to push, they equally know at what pace they need to run at to make it for the 9, 10, 11 or 12 hour "bus". But most importantly, they have learned over the years how their bodies respond to certain difficulties and as a result how to overcome them. In this instance, Mr Deysel is the bus driver and the trainees are the talented but inexperienced passengers on a journey of completing the comrades. As the driver, Mr Deysel has the power and control concerning the journey.

For DA led government officials, Mr Winde perceives a skill to be anything (something) that you can sell and value can be added to that skill. It, however, took a while for Mr Winde to answer the question on skill and he conceded that it was a difficult question. The difficulty of the question was captured by Ms Loghdey when she remarked that:

“you can have a dictionary version, you can have a thesis which tells you what your skills sets are, I think what's important is the economy determines the skills requirements, your current and future debates....you might have a particular skill that's relevant now, but it

might not be relevant in the future...we need portable, upgradeable *skills set*, not skills”  
(Interview 11/11/2013).

Mr Winde and Ms Loghdey’s notion of skill should be viewed from a flexible economic vantage point-flexible accumulation. In both Mr Winde and Ms Loghdey’s definitions, a skill is demand orientated, a flexible moving target, and it is portable. Their definition ignores the fact that humans possess the skill and skill is defined by other humans. For Mr Winde a skill is a commodity, it has value and it can be sold this is why labour is conceived to be a commodity, in a pure commodity sense. One facet of this value is its abundance in the labour market and because the market is socially regulated this is odds with economic principals of price discovery. But labour is not a commodity, and even though skills set are determined by the demand side of the economy their form and control is influenced by the supply side of the economy. The supply side factors which influence skill in South Africa are unequal. Therein lie the rub, and as Guy Standing rhetorical asked: “Why invest in an occupational skill if I have no control over how I can use and develop it?” (2011: 40).

If one still considers labour to be a commodity, Mr Winde and Ms Loghdey suggest that with the introduction of technology, the mechanisation of work across industries, one should develop a skill, upgrade it to retain value and hedge against any risk to remain relevant. This conception of skill traps people in a self-help or self-blame cycle which works against the very idea of development. Both Ms Loghdey and Mr Winde’s definition of skill are difficult to operationalise or fit into StatsSA skills category. If the economy dictates skills and by logical consequence training industry bodies control supply, two questions which are beyond the scope of this research have to be asked. First, has the move to switch from a centralised apprenticeship system to a decentralised learnership paid dividend? Second, have industry bodies fulfilled their mandate when it comes to skills development and training. If Employment Equity reports are considered together with youth unemployment, the country ought not to

have decentralised training and mandates have not been fulfilled. If we accept that skill, or skill sets as argued by both Mr Winde and Ms Loghdey are inherently demand driven and market shaped, employers will always be at an advantage when it comes to the definition of a skill. In this context, a skill is something that employers can profit from, therefore a skill is something they cannot do without and if they find a cost-effect way to replace or substitute it, they will do so.

The issue of skills is situated broadly in the youth unemployment discourse, and since what a skill is debatable depending on who one asks, I argue that skills shortages and a lack of skills in general are major contributor to youth unemployment. What has been successfully achieved in the discourse is convince us that wages, high cost of hiring or non-wage costs are major causes of youth unemployment. This has been done to side-step skills development and as Allais (2012) argues, the socioeconomic context of South Africa which is characterised by high unemployment, a narrow social security net, changing nature of work and the most unequal country in the world make it difficult to develop a “robust and coherent skills development” (2012:640). This difficulty makes it easy to blame wages for unemployment when in fact the issue is skill training costs. The reality is, the neglect of technical colleges compounded by dysfunctional Setas, South Africa has not developed its skills base, technical or otherwise, required for an emerging economy. One only needs to look at the higher education; since democracy only two universities have been built and there has been a proliferation of uncoordinated and often dysfunctional FET colleges.

### **6.3 Decent Work Agenda**

The concept of decent work is premised on the notion that work is not just work, but a source of income and more importantly, a source of personal dignity. Work is equally accepted as being a traditional marker of transition from adolescence to adulthood; hence, one feature of decent work is that it is not in support of child labour. In many societies a job or work brings stability and peace in a community and family (Mosoetsa 2011). However, work that is increasingly becoming precarious in terms of work security causes anxiety and fundamentally undermines the pillars of decent work (Standing 2012). The goal of the Decent Work Agenda is not just the creation of jobs, but of work of acceptable quality and security. Therefore, what is acceptable should be defined as to avoid “any job is better than no job” mantra which only leads to a race to the bottom and has devastating consequences for both social and labour reproduction. However, the absence of coherent and robust skills development plan linked to economic policy has resulted in decent work being a contentious issue. The contention in this context is skill but the language hides behind a developing economy narrative.

#### **6.3.1 Employment**

When I first thought of this research I was 22 and eager to start working, the labour market pushed back by requiring experience but never offered me the opportunity to acquire it. With high unemployment, political parties offer ‘employment opportunities’ uncertain of full employment. Mr Winde and Ms Loghdey stressed that the W & SP does not claim to create employment, it creates opportunities for employment. As discussed in chapter two, employment refers to “adequate opportunities for work, remuneration (in cash and in kind), and embraces safety at work and healthy working conditions” (Ghai 2003:113). Qualitatively, the W & SP has a strong element towards the employment pillar especially in relation to training.



For those who get the 'employment opportunity', 70% of them end up in permanent position or they are reported to have moved to more lucrative jobs. The programme's 70% retention rate is based on the 2 370 trainees to which the 2010/11 and 2011/12 annual reports refer. Additionally, the 2013-2014 annual report highlight that 2 177 learners (trainees) were contacted during the tracking process, it also notes that the majority of them were not contactable as they had changed either addresses and/ or contact details. Quantitatively, the ability to create large employment opportunities is not the programme's strongest point as illustrated in chapter five; opportunities are limited even though the programme exceeds its training targets.

The inability to create large amounts of employment opportunities is discouraging since the Western Cape has over 500 000 people who are unemployed. Between the period 2010 to 2014 the most employment opportunities the programme has facilitated is 443 and the least is 106, the average is 324. This is a drop in the ocean if one considers that over 500 000 people are unemployed in the province. The programme at best increases the likelihood of 'employability' based on occupational training and experience. Thus, trainees in a particular host company will receive specific skills training needed for that specific job. Moreover, all trainees do take away with them the soft skills acquired during induction phase and life skills training that the programme offers. Employment and employment opportunities are two different things. Both may play a part in the Decent Work Agenda, but they are not the same, synonymous and one cannot be substituted for the other.

The programme does not claim to give wages, but it provides stipends (remuneration in kind) which are paid directly into trainees' accounts; furthermore, these stipends are supplemented by employers (remuneration in cash). The programme's operational simplicity and approach to work is what makes it appealing to employers. Basically, a

team from DEDAT goes out to employers through their various organisations and asks them what their business needs are. The answers they get mostly concern paper work and cost related. Subsequently, a department dedicated to making employers run their business with less paperwork or “efficiently” addresses this concern. Even though employers do not benefit directly, the programme is orientated towards their business needs and consequently, it is demand orientated.

Host companies materially benefit indirectly through the work readiness programme that trainees go through at the expense of DEDAT and Workforce Group benefits financially. Through these programmes trainees are taught about the work environment, for example, you have to be at work on time, you have to save money for transport and you have to budget. These often taken for granted soft skills that trainees receive have to be acknowledged, it is through this process that we acknowledge that labour is not a commodity, but socially embedded. As with almost any demand led programme, W & SP does not necessarily address factors which influence the quality and quantity of labour that supply side orientated programmes tend to address making them more successful than demand side ones (see Burns *et al.*, 2006; Finn & Ranchhod 2014; Levinsohn *et al.*, 2014; Smith 2006). Employers tends to argue for a better supply of labour through the improvement of the education system and skills development in the country.

When it came to deadweight loss, DEDAT was unable to say whether the programme had experienced any. Furthermore, I did not find any evidence in the two cases in the present study to counter this claim. As explained, deadweight occurs when a company uses an intervention to fill positions they would have anyway, resulting in a zero net effect on job creation. The reason I was unable to find deadweight is that this is not a youth wage subsidy, but resembles a ‘hiring subsidy’ (through stipends) as it reduces company’s wage bill for 6 months and not the training cost. It is targeted at the unemployed and is only available for an extremely limited time, six months. The subsidy

is not in place long enough to cause damage, but it is short enough to entice employers and create some 'employability' effect through training.

The same reason that I could not find deadweight I did not find a substitution effect. The latter refers to firms letting go of their existing workforce for the subsidized youth. I concede that at Hisense substitution would have been impossible because it was a new factory with an entirely new workforce. Precision Press is faced with a struggle to satisfy skills needs or base; therefore, the company has an academy to address skills shortages and thus, substitution is improbable. As previously stated, the company needs Setters. What is commendable is that both at Precision Press and Hisense training took place and young workers were not recycled with the aim of benefiting from the programme.

### **6.3.2 Social protection**

The capacity to create employment is just the first piece of a decent work puzzle. The capacity to offer income security and consequently, social protection is the second piece in the puzzle and this ability is directly linked to a country's stage of development. South Africa is a member of the emerging economies commonly referred to as the BRICS nations, and on the continent the country has the third biggest economy but the most advanced one. This suggests that South Africa is capable of creating full employment and not employment opportunities; however, social protection is a contentious issue since it is framed around a developing economy narrative. To counter this narrative, unemployment should be viewed historically as a symptom of inequality, since factors which influence and shape labour's quality, like education, healthcare, transport, nutrition, gender, and race are unequal. In this context, employment should be underpinned by social protection.

In other words, within a context where inequality, poverty and unemployment being inextricably linked, social protection ought to take cognizance of this link together with the triple transition; consolidation of democracy, economic financialisation and apartheid redress. Viewed this way, the pillar of social protection shifts from being a developmental issue to being integral in employment creation, and current debates on a national minimum wage underscore this. Social protection through income security is particularly important and should be understood in a context of the changing nature of employment relations, from permanent to casualised, externalized, informal or peripheral (see Kenny 2004; Webster & Ormar 2003; Von Holdt and Webster 2005; Standing, 2011).

To illustrate the importance of income and social security, consider a simple yet often well-known example. For a period, you could be earning a wage with which you may pull yourself out of poverty; however, you could a while later, find yourself at home without a job, if, for example, your contract is not renewed. Personally, even with an honours qualification my contract as a tutor is only nine months long. Once a contract is not renewed or ends naturally, many people in South Africa find themselves with clothing accounts that have not been paid or with loans that need to be paid and many find themselves in debt and in poverty very quickly. This common story is illustrative of the need for social protection just to satisfy basic necessities.

The provision of social protection in the W & SP becomes problematic due to the rights the Labour Relation Act (LRA) of 1995 accords to learners (trainees) as opposed to full-time, permanent employees. While acknowledging that all employees are covered by the LRA, Mrs Michael explained trainees do not enjoy the benefits of a provident fund or pension fund that permanent employees are entitled to. Hisense does, however, contribute to Unemployment Insurance Fund (UIF). This is not the case at Precision

Press: Mr Deysel explained that trainees “get exactly the same benefit as our permanent employees get in terms of the same working hours, same break...the only thing (they don’t get) is UIF and SARS deduction” (interview 11/11/2013). In this context Hisense offers more social security than Precision Press as the latter does not pay UIF. Standing (2011) argues that the regulation of the labour market inter alia social protection was established with the working class and now the ‘precarier’ in mind; however, with the fragmentation of employment relations social protection is being short changed. Put into context, cleaning staff which were directly employed by universities once outsourced lose benefits and in many cases earn less than what they used to.

### **6.3.3 Workers’ rights and social dialogue**

I will treat the third and fourth pieces of the Decent Work Agenda together. Whereas the two first pillars deal with the aspects of employment conditions, the last two pillars emphasise the importance of social relations between employees and employers; a reminder that labour is socially embedded and regulated. The one pillar cannot be divorced from the other as they function in tandem. In South Africa, the third pillar of workers’ rights is enshrined in the LRA of 1995 and BCEA of 1997. To make sure that workers’ rights are respected, employers, effective workers committee, trade union and a willing government must continuously engage and ‘police’ one another in good faith. Social dialogue refers to the right of workers’ “to present their views, defend their interests and engage in discussions to negotiate work-related matters with employers and authorities” (Ghai 2003:113). For older Black workers who have been working since before 1979, the pillar of workers’ rights is an important one since this right was recognised and gained in 1979 after the Wiehahn commission in 1979.

At Precision Press, workers committees are in place to ensure workers’ rights are upheld. At Hisense, because the factory was new it was not yet unionised at the time of

the field work, notwithstanding, Mrs Michael encouraged employees to approach her to address any grievances they may have. Since the interviews took place, I have been informed from a reliable source that a labour union at the plant has started to organise. The absence of a labour union at Hisense meant that when the company decided to participate in the W & SP, they did not have to consult any labour stakeholder, however, Precision Press had to involve the unions in their decision to participate in the programme. The tensions which arise when trainees are brought into a workplace and permanent employees feel that their jobs are in danger, and the role that unions play in managing these tensions through social dialogue was illuminated at Precision Press.

The issue of union involvement in a social dialogue with Precision Press management was sensitive and difficult to discuss during the interview. I asked whether or not the factory was unionised and if so were unions consulted when trainees were brought into the factory. Irritated, Mr Deysel's response was, "Can you just tell me why are you asking this question?" I was not prepared for this response but I do understand why he was irritated by the question. A lot of conclusions can be drawn from his reaction, one is that he did not like unions and/or he suspected I might have been working for one-even though he knew I was a student. Whatever conclusion one deduces from the response, one cannot escape the reality that across the country, the relationship between employer and unions are adversarial. Employers view unions as being unreasonable in their demands and troublesome, and unions view employers as authoritarian. This is a reminder that despotic managerial techniques characterised by "supervisors who frequently believe that workers do not have insights to offer" still exist in South Africa (see chapter 4; Joffe *et al.*, 1995: 86; 194-5). This is the second ethical dilemma I mentioned in chapter three.

I explained to Mr Deysel what some of the unintended consequences of bringing in trainees without consulting a union or workers may be. He responded with a forced smile as recovery to what was a tense moment at the time: "Ok, ok, ok, no that's a good

question”. He explained to me that during their training committee meetings which are attended by union representatives, the issue of trainees was discussed. Some workers felt uncomfortable and anxious; however, they were assured that the trainees did not pose a threat to their jobs. A good indicator of assessing whether channels of social dialogue and workers’ rights are in place is the presence of trade unions. Unions are important because their job is to bridge and balance the power differentials between employers and employees. Given the country’s industrial relations history, the level of social protection depends on the extent to which an industry is organised or unionized and the scarcity of ones skill; the more a skill is deemed scarce the more protection one receives.

Even if industry is organised, one must not be under the illusion that the provision of social protection for workers will be upheld purely because of philanthropic commitment from employers or government, or that unions service their members. The Marikana massacre is a visual illustration of what happens when the Decent Work Agenda fails, specifically when social dialogue fails. The Marikana massacre is a lesson to all stakeholders involved that workers’ rights and social dialogue have to be taken serious. Social dialogue in the W & SP occurs largely between two stakeholders, DEDAT and host companies. There is no indication of trainees being represented or unions participating. When four pillars of decent work are divided into nine indicators, tensions that Webster flagged out are evident especially with regards to social protection. For example, the creation of employment means that other indicators have to be satisfied and certain basic requirements as set out in the BCEA have to be met such as the provision of basic workers’ rights and social and income security. A six month contract does not offer income security, stability or social protection but intensifies precariousness.

To manage the tensions of creating decent work, all stakeholders, namely, employers, employees, organised labour and government must be in an honest social dialogue in

order to negotiate trade-offs and craft a common goal. The concession to in-sourcing support staff in universities across the country spearheaded by the #FessMustFall is encouraging with regards to social dialogue. It shows that social dialogue is possible, in other words, argued by Webster, and expressed by Minister Oliphant (see chapter 4), “decent employment can only be successful when all stakeholders constantly keep in mind... the context of the South African and global economies, social realities such as poverty, inequality and education levels, and the long-term goals for South Africa, which must be weighed against short-term costs” (Sapa Jan 2011). DEDAT manages social dialogue by having people that go into districts, municipalities and business chambers. But, DEDAT is incapable of managing or mediating relations between unions and employers, Mr Deysel’s reaction to the question of unions is a case in point.

#### **6.4 Summary of W & SP**

February 12, 2014, the DA attempted to march to ANC’s Luthuli House in protest of 6 million “work opportunities” the ANC promised in their manifesto. The DA said it would make provision for 6 million real jobs if elected to national government. The word, opportunities dilutes responsibility as it is much safer to provide 100 employment opportunities than 100 permanent jobs, the latter requires real commitment and will. Not only does the word dilute, it simultaneously shifts responsibility from government to the unemployed in an event that full employment is not achieved. Government could always argue that you were given an opportunity and you did not use it. The W & SP, a DA programme like the ANC’s 2014 election manifesto provides ‘employment opportunities’ and not employment.

I have flagged the fact that the programme does not create as many job opportunities as it might have planned to and operates on a small-scale, the unintended consequence of this is that it offers a high retention rate in comparison to what a large-scale



programme would have, and it is micro managed more effectively. This allows swift interventions in the programme if needs be. Moreover, it is important to note that the W & SP recognises and operates around the province's industrial and geographical peculiarities and has as a result embedded its operations within the local economy-labour markets are locally constituted. The simplistic operational element of the programme with a localised and 'tailor made' aspect for the Western Cape makes its implementation efficient and effective. This programme would not have worked had employers not bought into it. Its success ultimately depends on employers buying into the programme and unions endorsing it and unemployed knowing about it. There is no evidence that unions have endorsed it.

For the unemployed youth to utilize the employment opportunity on offer, they have to know that there is such a programme and this is dependent on the flow of information. I heard of the Tshepo 10000<sup>8</sup>, for example, during a meeting in Cape Town despite the fact that the programme is touted as being an employment flagship for youth in Tshwane. I am based in the Tshwane, researching youth unemployment, I heard of the programme through word of mouth while in Cape Town. Doing more research about the programme I found limited information on the City of Tshwane Municipality website, and I have not seen it advertised in local newspapers such as the *Pretoria News*. Information is important as it empowers and offers people with options.

As revealed, the W & SP does relentlessly strive to address the Decent Work Agenda. It would be very simplistic and naive to evaluate the programme based on a yes-and-no model system. What the present study attempts to do is explore and find the nuances or tensions which will have implications for wage subsidies and unemployment discourse at a national level. The discrepancies between trainees and permanent

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<sup>8</sup> The City of Tshwane's flagship entrepreneurship programme aims at creating 10 000 jobs for the youth. The total budget is worth R1.8bn and will be funded from the city's operational budget.

workers make decent work problematic, but once the transition is made from the former to the latter, the two cases in the present study suggest that the programme does address the decent work agenda, only if the transition is made.

## **6.5 Early Retirement subsidy**

The discourse on youth unemployment presented the country with an opportunity to engage honestly with its past with the view of plotting a brighter future. Instead of grappling with the past and coming with a common goal for the future, the discourse has been about the positioning of interests, side stepping important structural issues and shifting blame. South Africa has a troubled past, one that cannot be simply wished away, and in order for the country to get out of this cul-de-sac there needs to be coherences and connection between social, economic and labour market policy aligned to the country's developmental goals. Moreover, the quality of institutions where policies are generated first need to function then improved. A youth wage subsidy (ETI) in South Africa is an ineffective tool to address youth unemployment. Unemployment in the country is deep and structural, and to be properly addressed, structural change is needed over and above a wage subsidy.

From Finn and Ranchhod (2014) early study, we know that the ETI, also known as the youth wage subsidy, did not have a statistically significant impact on youth employment probabilities in the first six months of 2014. In an up-dated study which observed the ETI in its first year of inception, Finn and Ranchhod (2015) reinforce their initial findings. Moreover, their (2015) up-dated study found no evidence suggesting that the introduction of the ETI resulted in an increase in the level of churning for youth in the labour market. The question which needs to be asked is, who has been benefiting from the youth wage subsidy? Nationally and provincially, the youth wage subsidy programmes have been profitable for employers. Nationally, for the country's second biggest labour

broker group, Workforce Holding, the ETI has contributed to almost all its profit in 2014. The company claimed R53.4 million from the ETI and the company's profit before tax in the same year was declared as R51.2 million (van Rensburg 2015). Provincially, Workforce Group has been instrumental in administering the W &SP. The above mentioned suggests that programmes which seek to address youth unemployment in South Africa have to be different, and require a shift from orthodox approach.

In line with the Decent Work Agenda and COSATU's recommendation of a back to basics approach by effectively using the National Skills Strategy (III) to increase the capacity of TVET sectors to absorb more learners. I propose an early retirement subsidy as a short-term strategy which could have long term positive effects for employment. Another solution to addressing youth unemployment would be to redefine youth by simply changing the age from 34 to 24. However, such a move does not solve the problem it only redefines it. From a demographic point of view, youth wage subsidy does not address labour supply pressure, nor does it address the social reproduction aspect of labour; an early retirement subsidy will address both. South Africa can exploit the demographic dividend if it considers early retirement subsidy for an already aging skilled workforce. An early retirement will act like a "valve" which releases and shifts pressure from labour supply to demand.

**Table 6.1: Labour force characteristics**

Labour force	Age	Unemployment rate
18.6 m	15-64 (National)	24,7% (4.6m)
2.7 m	15-24	49,9% (1.3m)
6.5 m	25-34	28,7% (1.9m)
5.1 m	35-44	18,5% (947 000)

<b>3 m</b>	45-54	12,4% (352 000)
<b>1.3 m</b>	55-64	6,9% ( 92 000)

Source: QLFS 2013:3

Table 6.1 above shows that unemployment is concentrated in the youth and concentrate from age 35. Looking at age cohort 55-64 the labour force is about 1.4 million, and of that number 92 thousand are unemployed. However, when looking at the 15-24 age cohorts the picture is different since this group also has 3.6 million young who are the NEETs, not employed, not receiving education or training. In light of this, older employees can be encouraged and subsidised to retired early to do useful work as opposed to profitable work within their respective communities.

With the current cost of ETI between R1.3bn and R3bn, it is very difficult to argue in light of Finn and Ranchhod (2014, 2015) findings that the benefits material or otherwise exceed the cost of the programme. In light of 3.2 million (1.3m+1.9m) unemployed youth and in consideration of age cohort 55-64, the cost for the ETI can be redirected to the latter age cohort. This money can be used to finance and subsidise early retirement packages without any older employee forfeiting any portion of their total package. Older workers will not just retire, the idea will be to phase out older workers with their retirement plan aligned to a skills transfer programme linked to phasing in younger employees in line with National Skills Strategy (III) as a guide to TVET objectives and the NDP's vision. In a long run, the benefits of an early retirement subsidy would exceeds and justify the cost of funding it.

Because an early retirement subsidy will be in line with the NDP's vision and process of social regulation of labour, specifically incorporation, allocation, control and

reproduction, it could prove to be one of the structural changes needed to realign the labour market with the country's developmental goals. Most importantly, subsidising early retirement would necessitate a repositioning of the Decent Work Agenda within a broader discourse of labour market regulation. An early retirement subsidy forces us to view the Decent Work Agenda up-side-down or in reverse starting with the fourth pillar of social dialogue, moving to workers' rights, then to social protection of older workers wishing to take early retirement, ending with employment for the youth who will benefit from this subsidy. On the one hand, a view of the Decent Work Agenda in reverse, starting with the pillar of social dialogue forces us to recognise that labour is socially embedded. Finally, an early retirement subsidy with the Decent Work Agenda viewed in reverse opens up space for robust dialogue with regards to trade-offs and plots a way for the agenda to be progressively realised.

## **6.6 Conclusion**

This chapter showed that with regards to youth unemployment, skills training which has cost and time implications and not wages are the issue. The W & SP through the two case studies demonstrated that vocational skills together with soft skills training are important in addressing youth unemployment. Qualitatively, the W & SP demonstrates that the Decent Work Agenda can progressively be realised, and in this instance, only when trainees make a transition to permanent employment. Quantitatively, the W & SP is ineffective in addressing unemployment in the province. In contribution to the youth unemployment discourse, I recommend and argue for an early retirement subsidy with a strong emphasis on skills training. Most important, that we view decent work pillars in reverse, this way the Decent Work Agenda can be progressively realised while allowing space for regulated flexibility and a continuation of debates in the South Africa. The next chapter will summarise the main arguments advanced in this study.



## Chapter 7

### 7.1 Conclusion

South Africa is in a socioeconomic cul-de-sac and it will take unorthodox policy to get her out of this conundrum. The current climate is stagflation; inefficient economic growth, persistent unemployment and rising inflation. Instead of policy being evidence driven or sensitive to the country's history, the country's economic policy is at odds with the labour market policy and current realities. Since 1994, it is not a coincidence that in a relatively flexible labour market when expected to converge, income inequality and unemployment have widened. This study has shown that while global exogenous factors have an influence on the local labour market, the socioeconomic cul-de-sac that South Africa finds itself in is as a result of an ill-conceived economic policy that privileged global context and ignored the country's history. Notwithstanding the time it took to develop some of the key institutions, the path of development and industrialisation in Continental Europe was underpinned by a regulated labour market and State intervention.

Developments in Continental Europe which starting with the Industrial Revolution have shown that economic policy and labour market regulation are contested terrains. Moreover, Industrial Revolution and Fordist-Keynesian periods have shown that when it comes to development, the State was at the forefront. A shift to Flexible accumulation coinciding with the deregulation of the economy and labour market, and the commodification of basic aspects of life including the environment has resulted in the State being a spectator. The State only intervenes during economic crisis as was the case during the Great Depression and recently in 2008. In South Africa, African Bank was bailed out when its clients defaulted on their debt repayment. This study has showed that global developments of the last three decades have had a profound influence on economic and labour market policy that South Africa adopted.

This study also showed that the root causes of poverty, inequality or unemployment in South Africa are not the same as global ones in nature, shape or form. It then does not follow, as it was thought, that policies used in Continental Europe if applied to South Africa will be successful. The formation of capitalism in South Africa is different from Continental Europe, the root causes of unemployment in the country are structural and historical. Related, not limited to the distribution of unemployment, structural inequality is also reflected in education, healthcare access, and access to self-provisioning resources. Therefore, the causes of unemployment cannot be due to high wages, non-wage costs or high hiring wages.

This study has shown that whereas the New Deal after the Great Depression ushered in structural changes by putting in place institutions which at that time addressed poverty, inequality and unemployment in Europe. The African context, and South Africa in particular is fundamentally different. Democratic dispensation in South Africa resulted in a shift of political power from the white minority to the Black majority and consolidated economic power in the hands of a small class of the white minority. Economic power has been maintain and reconfigured to incorporate a few politically connected individuals through policies like Black Economic Empowerment (BEE) and grew a black middle class through employment policies such as Affirmative Action (AA).

The first macroeconomic policy in post-apartheid South Africa, a welfare orientated Reconstruction and Development Programme (RDP) policy was only “given” two years to attempt to remedy, unemployment, inequality and poverty. Blowing with the wind at the time, this policy was replaced by a neoliberal Growth Employment and Redistribution (GEAR) policy which did not have the desired effect; it did not create 400 000 jobs annually. Though GEAR brought growth during the second term of President Mbeki’s term, in the same breath, unemployment and income inequality rose complemented by a growth of the Black middle class. The increase in unemployment and income inequality is blamed on labour market rigidity, and since then a push to



deregulate the labour market has intensified. The DA want labour laws to make it easy to hire and fire workers effectively *uberising* the labour market. The reality is, real wage growth has remained stagnant, unemployment is on the rise and labour market inequalities are widening and deepening.

Inequality is reflected in how people are incorporated in the labour market, and when looking at social factors which influence individuals to seek paid employment, self-sustenance and survival play a key role. When drawing a picture of an unemployed person in South Africa, it is most likely a youth, with or without a matric, has been unemployed for more than a year, happen to be black, and likely to be female. Given the country's history and some post-apartheid developments, the distribution of unemployment is not a coincidence. This study has shown that once incorporated in the labour market, allocation is based on skills needs and demand, and a number of social factors are considered. Allocation reflects social hierarchy and reveals that the social distribution of unemployment is not due to supply and demand market forces.

In South Africa, people likely to do physically hazardous or low status jobs are the very same people who are likely to be unemployed, the Black majority. Looking at the social regulation of labour the allocation of the two females as machine operators in the SMT where they worked predominately with small components and not as workers fitting a compressor or condenser in a refrigerator was not unusual. Similarly, the allocation of male trainees at Precision Press as Setters and not as cleaners, for example, was not an arbitrary decision although there are exceptions. In relation to the third process of control, it is hard to ascertain without being on the factory floor how workers are controlled. Notwithstanding this limitation, this study has shown how remuneration and production targets are used as tools to controlling workers. It would have been interesting to analyse how gender is used as a possible tool of control, especially on the factory floor.

Perhaps the most difficult aspect of social regulation of labour is reproduction. Reproduction is the biological procreation and it encamps the cost of caring of humans, clothing, and nutrition, provisions for healthcare, education and training (Bezuidenhout 2008). This study has shown that the costs of reproduction hinges not only in the labour market, but also in the household dynamics. One trainee had to work to bring in extra revenue to run the household, and this is not an exception. Women in Benya's (2009) study in mining reported having to work to supplement household income. Reproduction has implication on how labour is linked back to supply and incorporated (Bezuidenhout 2008). Youth unemployment has serious implication on reproduction. The reality is, able body youths do not have access to the right and needed skills and resources for self-provisioning. This has a direct influence on when they get married or consider starting a family. The broader implication is on the quality of support the youth can afford for their children in the future. Put differently, if young people have children but they are unemployed, this fuels intergenerational poverty and inequality.

Using Peck's analytical framework and pillars of Decent Work Agenda, this study showed that labour markets are locally constituted and socially regulated. Moreover, the study also showed that an introduction of a youth wage subsidy in response to unemployment leads to more regulation in the labour market in a form of compliance and administrative hurdles. One finding which stands out from this study is that the beneficiary of wage subsidy nationally or provincially is a temporary employment service provider, commonly referred to as labour broker. I argued that addressing unemployment with a wage subsidy in the absence of structural changes is ineffective. Symbolically, wage subsidies are life jackets that are ineffective. Calls by the DA for a "real wage subsidy" are misinformed and empirically unsound. What policy planners need to do is use Peck's (1996) analytical framework to formulate labour market policy.

By using Peck's framework we move closer to creating employment which is in line with the Decent Work Agenda. Though tensions are anticipated in initial stages, the Decent Work Agenda can be progressively realised by disaggregating pillars into indicators. In so doing, this study has shown that trade-offs have to be negotiated through social dialogue. The W & SP has shown that while it does address the Decent Work Agenda, in a context of high youth unemployment, it is unable to generate massive employment opportunities needed to dent the problem. The W & SP performance results strength Finn and Ranchhod (2014; 2015) research which found that the national employment tax incentive (ETI) also known as the youth wage subsidy did not have a statistically significant impact on youth employment probabilities. Unemployment is structural and in the absence of structural change, this study has showed that demand driven employment programmes which seek to arrest the problem will remain an ineffective tool but profitable instrument for business-labour brokers.

This study could not find evidence of deadweight losses or substitution effect. The former refers to the creation of jobs that would have been created, and the latter refers to a replacement of existing workforce or older workers for young ones. This study showed that wages are not linked to productivity, if anything, skills are. Productivity is linked to skill levels and skills training both of which have "non-wage" cost implication. These "non-wage" costs including training of people, have been used to argue that high wages cause unemployment when in fact skill is the issue. Politically, the implication of this study strengthens COSATU's position on labour brokers and skills development. Economically, the implication is that a youth wage subsidy is not viable in a short, medium or long term. This is because an attempt has been made to conflate economics with mathematics thereby reducing unemployment to a supply and demand equation with wages being singled out as the causes of unemployment in this equation.

The contribution of this study on the labour market discourse in South Africa could be seen as opening up space not only to understanding youth unemployment, but to

finding new unorthodox solutions to the problem. I have shown that there are other options to be debated and considered, the easiest being redefining or reclassifying youth. The other consideration is an early retirement subsidy and viewing the Decent Work Agenda pillars in reverse order. Viewed together, or read separately, these solutions shifts our understanding towards viewing labour as being socially regulated. However, in the absence of coherent structural change in the economy, failures in provisions which influence the quantity and quality of labour, the normalisation of corruption, an early retirement subsidy, like a youth wage subsidy will likely remain an ineffective tool.

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## **Interviews and email**

To protect all the trainees I have used pseudonyms throughout the text. Below is a list of interviews conducted over 3 days (November 11-13). Rahima Loghdey was interviewed more than once and, all of these were formal interviews.

**HR and manager interviewed**                      1 interview (paired with trainees), Mr Deysel  
Precision Press, 11 November 2013.

1 interview, Mrs Michael Hisense, 13  
November 2013

**Trainees interviewed**                                      1 paired interview with two trainees, Precision  
Press 11 November 2013

2 interviews with trainees, Hisense 13  
November 2013

**DEDAT officials interviewed**                              1 paired interview, Ms Loghdey and Mr Winde,  
11 November 2013

1 paired interview, Ms Loghdey and Mr Appolis  
12 November 2013


**Email**    Cameron Arendse 18 February 2014





## Appendices

### Appendix 1



**Western Cape  
Government**  
Economic Development  
and Tourism

**Workforce Development**  
Mark.Apollis@westerncape.gov.za  
Tel: +27 21 483 9124; +27 21 483-4892  
80 Waldorf, building, Cape Town, 8001  
[www.capegateway.gov.za](http://www.capegateway.gov.za)

**REFERENCE:** Work & Skills Programme  
**ENQUIRIES:** Mark Apollis

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**WORK AND SKILLS PROGRAMME**

**BACKGROUND**

The Work and Skills Programme creates learning and work placement opportunities for unemployed youth in the Western Cape's economy in order to improve the future employment prospects of participants. This 6 month contractual work opportunity is coupled with skills development in the context of work experience and the provision of technical and soft skills training to learners. It places mostly first time entrants with host companies, support learners exiting the programme as well as refer learners to work related opportunities.

**OBJECTIVE**

To access work experience opportunities for unemployed youth in the Western Cape

**BENEFITS**

- o HR support component is completely out-sourced and financed by DEDAT.
- o The program allows the company to focus on developing the learner (s) with regard to specific skill required.
- o Allows the company to assess the intern for 6 months before they can offer employment opportunity
- o Facilitate suitable opportunities matching of skills demand and skills supply

**PROGRAMME STRUCTURE & REQUIREMENTS**

- o Life-skills & Work readiness training + Mentorship training offered by DEDAT
- o 6 Months work placement + R1500 pm/pp incentivised by DEDAT
- o Host companies / employers must provide written commitment to employ learners for minimum 3 months after the initial 6 months placement period
- o Host companies must also contribute to monthly stipend
- o Learners must be unemployed South African Citizens resident in the Western Cape aged between 18-34 years and must have minimum Matric / NQF 4 qualification


**Contact details at Department of Economic Development & Tourism**  
Mark Apollis: 021 4839 124 - [Mark.Apollis@westerncape.gov.za](mailto:Mark.Apollis@westerncape.gov.za)  
Rahima Loghdey: 021 4832671 - [Rahima.loghdey@westerncape.gov.za](mailto:Rahima.loghdey@westerncape.gov.za)

11<sup>th</sup> Floor, Waldorf Building, St George's Mall, Cape Town, 8001 PO Box 979, Cape Town, 8000  
tel: +27 21 483 9124 fax: +27 21 483 4892 [www.westerncape.gov.za](http://www.westerncape.gov.za)





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Western Cape  
Government

BETTER TOGETHER

**Learner Expression of Interest**  
**Work and Skills Programme**

Department of Economic Development and Tourism

*Please attach CV, ID & Matric Certificate*

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**LEARNER DETAILS**

**Learner Name & Surname:**

**ID Number:**

**Physical Address:**  (Number & Street)  
 (Suburb)  
 (Town/City)  (Code)

**Contact Telephone:**  **Cell:**

**Next of Kin Contact Number:**  **Cell:**

**E-mail Address:**

**Gender:**  Male  Female **Race:**

**Disability:**  Yes  No  (Indicate nature of disability)

**Languages:**

**EDUCATION HISTORY**

**Highest Level of Education:**

**Nature of Accredited Qualification:**

**Matric Subjects, Grade & Mark:**

Subject	Grade	Mark
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**Learners/Drivers License:**

**EMPLOYMENT HISTORY**

**Work Experience:**   
(Please Indicate Company and Job title)

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For any further queries, please contact:

Byron Jacobs 021 - 483 9045  
byron.jacobs@westerncape.gov.za

Kirsten Amsterdam 021 - 483 9469  
Kirsten.Amsterdam@westerncape.gov.za



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**Western Cape Government**  
BETTER TOGETHER

**Employer Expression of Interest  
Work and Skills Programme**

Department of Economic Development and Tourism

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**COMPANY DETAILS**

**Company Name:**

**Nature of Business:**

**Physical Address:**  (Number & Street)  
 (Suburb)  
 (Town/City)  (Code)

**Contact Person Name & Surname:**

**Contact Person Designation:**

**Contact Telephone:**  **Cell:**

**E-mail Address:**

**PROPOSED PLACEMENT DETAILS**

**Placement Job Description:**

**Number of Placements:**  **Supply:**  Own  DEDAT  
(Please Tick One)

**Preferred Gender:**  Male  Female  No Preference

**Preferred Age Group:**  18-24  25-29  30-35  No Preference  
(Please Tick One)

**Previous Host Company:**  Yes  No **Year:**   
(Please Tick One)

**Skills Required or Learner Profile:**

**PROPOSED MENTOR DETAILS**

**Mentor Name & Surname:**

**Mentor Designation:**

**Contact Telephone:**  **Cell:**

**E-mail Address:**

For any further queries, please contact:

Byron Jacobs 021 - 483 9045  
Kirsten Amsterdam 021 - 483 9469

Byron.Jacobi@westerncape.gov.za  
Kirsten.Amsterdam@westerncape.gov.za



## Appendix 2



Rahima Loghdey  
Director: Skills Development and Innovation  
Rahima.Loghdey@westerncape.gov.za  
tel: +27 483 2671 fax: +27 21 483 4892

Dear Baitumelo Malope

RE: PARTICIPATION IN STUDY WITH THE SKILLS DEVELOPMENT AND INNOVATION TEAM AT DEDAT.

The Department of Economic Development and Tourism (DEDAT) looks forward to having you participate in the study titled "Marching for the youth wage subsidy: A critical assessment of the Democratic Alliance's Work and Skills Programme in the Western Cape."

DEDAT welcomes you to be part of our programme for interviews to companies and learners who have completed our programme this financial year. As explained earlier, the companies will be based in the urban area and that you would use the impact assessment for some rural information you require.

You are welcome to come to Cape Town from the 11-13 November 2013 to conduct your interviews with relevant Western Cape Government officials and other stakeholders.

Please resend me a list of those stakeholders you want to interview together with the questions for each stakeholder so that we could contact those individuals and set up appropriate meetings during your stay.

Look forward to meeting with you.

Kind Regards

  
Rahima Loghdey

Director: Skills Development and Innovation

Date: 09/10/2013

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## Appendix 3

### Questions to management (host companies)

1. Can you briefly explain what the company does?
2. How is the labour process structured and how are learners incorporated into it?
3. What type of skill composition does the company use in its everyday operation?
4. Is the company experiencing any skills shortages/ gap in its operations (are there skills shortages in the company/ industry?)
5. How has the Work and Skills Programme been beneficial to skills training and development in the company?
6. Do you think the programme has contributed to youth employment, and how so?
7. Is there a difference between learners and permanent staff in terms of employment relations eg: basic rights of an employee, tea break, leave, freedom of association, contribution to UIF?
8. Are there any privileges enjoyed by permanent staff that learners forfeit?
9. In your opinion what has been an obstacle to addressing the unemployment level in the country?
10. What can be done differently to address youth unemployment?

**NB: descriptive questions like age and place of birth etc will be asked.**

### Question to learners

1. Tell me a little bit about yourself, who you are, where you come from?
2. Can you tell me how you got to know about the Work and Skills Programme?

3. What were you doing before the participating in the programme?
4. What do you do at work ( tell me how your normal day at work looks like)
5. Does the work require any training and did you receive any training for the work that you do?
6. Has the training helped in your work or could you have done the work without any training?
7. Do you get treated the same as permanent (other) employees?
8. Can you tell me about some of the rights you have at work?
9. How are these rights any different from permanent employees?
10. Do you see yourself in this industry in the future?
11. Will you use the experience and skills learned here in the future?

**Questions to Western Cape’s Department of Economic Development Trade and Tourism**

1. From your annual report (2011-2012) the purpose of the programme is to facilitate the provisioning of Human Capital and Innovation skills in order to deliver on economic Human Resource Development needs of the Western Cape. What doesn’t the programme claim to do?
2. How is the programme run and who manages the operations (recruitment and selection) of the programme? How are the youth linked to the people running the programme?
3. How do you make sure that the youth participating are receiving the training, in other words how is the training monitored and evaluated?
4. What is the motivation for targeting people of ages 18-35 and those with a matric or an equivalent?

5. What are the strengths and/or weakness of the programme?
6. In your opinion what have been (factors) hindering employment creation
7. Is the programme a long or short term plan?
8. The stipend which is to be topped-up by companies, is it a hiring, a wage subsidy or something else?
9. The programme has three strategic objectives, what has been of the most challenge to the five priority areas?
10. The PSDF was launched by Premier Zille would it be fair to argue that the W&SP is the DA's programme?

#### **Appendix 4: consent form**

I am aware that my participation in this interview is voluntary and I understand the intent and purpose of this research. If, for any reason, at any time, I wish to stop the interview, I may revoke my participation without having to give an explanation.

I have the right to review, comment on, and/or withdraw information prior to the Masters Project's submission. I understand the data will be gathered using an audio recorder and the study guarantees confidentiality with respect to my personal identity unless I specify otherwise. I understand if I say anything that I believe may incriminate myself, the interviewer will immediately rewind the tape and record over the potentially incriminating information. The interviewer will then ask me if I would like to continue the interview.

If I have any questions about this study, I am free to contact the student researcher or the faculty adviser (contact information given above). I have been offered a copy of this consent form that I may keep for my own reference. I have read the above form and, with the understanding that I can withdraw at any time and for whatever reason, I consent to participate in today's interview.

I am aware the data will be used in a Masters mini-dissertation that will be publicly available at the Main Library at the University of Pretoria, and that the information contained in it may be used in academic publications such as book chapters, books, articles and presentations. I understand that the data will be securely stored in the Department of Sociology for fifteen years.

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Participant's signature

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Date

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Interviewer's signature

Participant's Agreement: Recording

I am aware that the interview will be recorded. I understand the intent and purpose of the recording for transcription purposes. If, for any reason, at any time, I wish to stop the recording, I may do so without having to give an explanation.

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Participant's signature

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Date

---

Interviewer's signature