

# Industrial decentralisation and exploitation

## The case of Botshabelo

William Cobbett

Following the emergence of a new and improved working relationship between the state and big business after the Carlton and Good Hope conferences, the state unveiled its Regional Development Plan in 1982. This was essentially to be an attempt to revitalise the decentralisation programme, so that industry would be able to move closer to large pools of resettled labour.

The state offered wide-ranging concessions that were claimed, with some justification, to be the most attractive in the world. Glossy advertisements showed ideal factory conditions, contented labourers working in good surroundings and the underlying message portrayed was that everyone involved would mutually benefit from investment in such points.

A survey that I conducted in the industrial development area of Botshabelo in March has revealed nothing of the sort - what it did reveal, however, was new levels in the exploitation of workers that leave the observer lost for words. The purpose of this article is to reveal these conditions so that South Africans, and the state's detractors and apologists overseas, will know some of the real effects of the unabated continuation of apartheid.

### Botshabelo

Botshabelo township, previously known as "Onverwacht", has only been in existence for some eight years, in which time it has grown to become South Africa's second largest township. It has been settled overwhelmingly by people who have been forcibly removed or harassed out of other areas, and also by tens of thousands of ex-farm workers. It has a current population in the region of 420,000 - 500,000 people, separated by 55kms of apartheid space from Bloemfontein.

In 1982 Botshabelo was designated a growth point in terms of the state's regional development policy. The concessions offered reflected both the size of Botshabelo and its high levels of

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unemployment, with the result that the labour incentives are at the highest level in South Africa.

Politically, Botshabelo is run by the Department of Development Aid, as it is still Trust Land. The industrial area is administered by the South African Development Trust Corporation (STK) who, in conjunction with the Board for the Decentralisation of Industries, attempt to attract potential investors to Botshabelo.

The state is, at the moment, contemplating ways of incorporating the area into the QwaQwa bantustan in the face of overwhelming rejection of the plan in Botshabelo itself. This rejection was clearly demonstrated in a recent survey conducted by members of the University of the Orange Free State. A tarred road which will surround the township is currently under speedy construction, which is a clear indication of the state preparing itself for a confrontation.

As a growth point, Botshabelo has enjoyed a modest degree of success, compared to other such points in South Africa. There are currently about 50 factories established there, employing just over 5,000 workers. The state has been successful in attracting a significant proportion of foreign investors into the area - the majority of foreign factories are Taiwanese controlled and the Israelis have recently begun to move in too.

However, this creation of 5,000 "jobs" in about five years must be set against the fact that this number is substantially exceeded every year by the number of new entrants onto the local labour market. Young men unable to afford the bus fare often walk the 55km to Bloemfontein with the vague hope of finding some employment - the industries at Botshabelo offer pathetically few job opportunities at exceedingly low wages.

The bulk of the material referred to below comes from a random sample of 25% of the factories listed by STK. From a variety of often surprising sources the reality behind Botshabelo began to emerge - this involved, in financial terms, large-scale deception and defrauding of the state and its agencies and, in human terms, the super-exploitation and dehumanising of the workforce.

The first is possible because of the inefficiency of the state's agencies coupled with totally unscrupulous businessmen, the second

is possible because of the compliance of the state coupled with totally unscrupulous businessmen. The only common pattern that seemed to emerge is that the businessmen always win, and the workers always lose - again and again.

There are many small incidents and facts to relate, but a clear pattern emerges which allows us to characterise Botshabelo and places like it. They are state-subsidised sites for the exploitation of workers, devoid of any meaningful protection for the workers such as Industrial Councils, health and safety legislation, control of wages, regulation of overtime etc. And increasingly, as emerged at Botshabelo, they are fitting into the international movement of capital and the division of labour, as foreign capital seeks new springboards into international markets, sometimes avoiding the quota restrictions placed on their country of origin. And finally, and most significantly, places such as Botshabelo are a vital part of the state's attempts to beat sanctions.

The first area to be closely examined will be the various methods by which the businessmen con the state - for the state's part, only two explanation's are possible if we are to understand the continuation of such practices: (a) complete incompetence; or (b) acceptance of corrupt business practices. Of course, both are equally possible, and both were alleged by businessmen I spoke to.

#### BUSINESSMEN AND THE STATE

Most of the details discussed below come from unattributable sources in Botshabelo, but were confirmed by many businessmen referring to such practices. Some business people themselves said that they had seen corruption before in their lives, but never in such a blatant way or on such a scale. Below are outlined a few of the many methods by which money is siphoned off.

#### Loading the quotes

A company relocating to a decentralisation point generally expects the same standard of factory as the one that they are vacating. As such, the basic shell that they will move into in a place such as Botshabelo may require some refitting. This is open to extensive fraud.

Taking a hypothetical example, let us assume that a factory

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requires electrical re-wiring that a genuine quote would value at R20,000. The state requires three quotes to be submitted, and the cheapest is normally awarded the contract. What has been happening at Botshabelo is that an informal agreement is concluded between the businessman and the electrical contractor.

The electrical contractor over-prices the work at (say) R28,000, and then arranges for two contacts in the electrical trade to submit quotes slightly above his figure. (This "favour" to be reciprocated at a later date). The "cheapest" quote is then accepted by the state, and the R8,000 surplus is divided between the businessman and the electrician. The state agencies are failing to assess the accuracy of the quotes themselves, although there apparently are signs that they are belatedly waking up.

### Cheap loans

The state will subsidise loans for items such as capital equipment which will allow the industrialists to assume production at the decentralisation point. Firstly, it is alleged, the state does insufficient homework to check on the viability of the company, and its assets' ability to guarantee the loan. So the loan - sometimes these are very large indeed - may be granted on a shaky financial basis, and involves the state in potential future losses.

In one specific instance, a clothing manufacturer recently moved to Botshabelo and obtained a loan for (say) R400,000 worth of sewing machines and other productive equipment. They installed, however, second-hand equipment worth (say) R150,000, thus leaving R250,000 of cheap capital to be passed back to the holding company. Again, the state did not have an independent valuation of the machinery and were thus taken for a ride. What makes these loans doubly attractive is the ease with which they are obtained in many instances, it is alleged, the same application made to a competitive bank would certainly be rejected.

### Cheating on wages

This is alleged to be a widespread practice. In terms of the decentralisation incentives, this is invariably the most attractive to the businessmen, as they themselves confirm. The state pays cash, tax-free to the industrialists, 95% of the wages of the staff, up to a maximum of R100 per employee per month for seven years.

In spite of state attempts to curb the widely-reported abuses of the system, the industrialists are still able to illegally cream off substantial amounts of cash. There are a variety of ways of doing this, all producing handsome reward.

Because of the size of some of the workforces, seasonal labour adjustments and absenteeism, it is hard to know how many people should be in the factory at any one time. Or, more crucially, to know whether the number of workers in the factory tallies with the number that the industrialist claims are working there. In this way, industrialists often claim to have more workers than they are in fact employing and thus will get cash for non-existent workers.

Alternatively, there is also sometimes a discrepancy between the amount claimed, and the amount actually paid to the workers. These are very popular methods of defrauding the state, because the money is paid in cash. Again, this is often siphoned off to an ailing holding company. What makes it even easier for the industrialists to engage in such practices is the fact that their claims are not approved locally, but in Pretoria.

These are some of the most blatant and profitable ways of creaming-off profits out of the system. There are many other alleged frauds, including deducting UIF from the workers but not paying all of it to the state.

What seems clear about the behaviour - certainly of South African companies that decentralise - is that the policy is being seen as presenting a golden opportunity for weak and near defunct companies to save themselves. By creating a unit to decentralise to in places such as Botshabelo, the holding company can absorb the profits made, both legally and illegally, and attempt to put itself on a firmer footing.

This also includes paying an undervalued cost-price for goods produced by the subsidiary, allowing the holding company to use the in-built profit margin to its own ends. The real value of the holding company/subsidiary relationship is that, if any of the fraud comes to light, the holding company can claim complete innocence and blame it on the corrupt practices of staff employed in the subsidiary. They seem to believe, with some justification, that they cannot lose but have much to gain.

Large questions are obviously raised here about the effectiveness

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and, indeed, the aims of the entire industrial decentralisation policy, and also about the competence of the state agencies responsible for the administration of the system. There would seem to be a number of reasons accounting for the state's inability or unwillingness to act.

Firstly, the state attaches a high priority to attracting business to areas such as Botshabelo, especially foreign investment. In their keenness to counteract the growing momentum of sanctions and disinvestment, the officials are walking around with their cheque-books open.

Secondly, it is alleged that much of the problem emanates from the fact that, because the programme has such a political importance, the state makes political appointments rather than seeking the most efficient people to administer the programme. To the extent that it is aware of the above alleged malpractices, the state prefers to hide the facts under the carpet and avoid the repercussions - the industrialists being very much aware of this point.

The decisions made, for both the above reasons, are often more political than they are economic. This can be also directly linked to the inbuilt corruption of the bantustan policy and the continuation of apartheid.

#### WAGES AND WORKING CONDITIONS

While it is impossible to feel any empathy for the way in which the state is having rings run around it by the businessmen, it is very different when one looks at the effects of this policy on the workers. For here the state and the industrialists - local and foreign - are together involved in the most horrendous and inhuman exploitation of the local inhabitants.

While the above information was received in an "off-the-record" manner, the conditions of the workers and wages comes directly out of the questionnaires that were administered in Botshabelo.

#### The labour force

One of the most striking features about the labour employed at Botshabelo is the gender composition of the labour force. The companies surveyed employed a total of 2,127 African workers, 1,976 of whom were women. There are a number of reasons for this

phenomenon - one is the fact that women are "traditionally" lower paid, while another is the belief that women are intrinsically better adapted to certain kinds of labour. Both will be examined.

The wages at Botshabelo, in almost all cases, amount to a starvation level. How else can one describe R2 a day, R10 a week or R43 per month (however you want to put it), which was the lowest wage that was encountered? (A hamburger at the cafe not 100 yards away from the industrial area costs over R2.) The "higher" wages are little different. Company by company, the following are the starting wages for women workers per month - R60; R56; R60; R76; R64; R60; R120; R68; R77; R64 and R50.

Some companies claim that they only pay "low" wages while they are training the staff. However, the wages attained when "trained" are not very different. To take the example of one Taiwanese clothing manufacturer, the "training" wage is R16 - R17 per week, while the wage of those "trained" ranges between R18 - R22 per week "if their quality is acceptable".

Another example - while "training" the women (for 4-8 weeks), another company pays R15 per week. Once "trained" the women then have their wages increased to R17 per week.

Taking examples such as these, it is important to remember one of the points made at the beginning - the state pays 95% of the wages. The real cost to the employer, therefore, of a woman earning R60 per month, would amount to R3 per month.

One aspect which originally confuses the naive observer is this - given the fact that the employers only pay 5% of most of the wages, why don't they pay the workers at least the full allowance provided by the state? After all, you would argue, it would hardly harm them. The reason given to me by one source was damningly simple - if you actually paid the workers the full state allowance, there would be no margin left to make illegal claims.

African men at Botshabelo are generally employed as security guards, drivers, manual labourers, gardeners etc. Their wages, while not as low as their female counterparts, are still insufficient to live on. The higher end of the wage scales are usually held by men involved in the production process and possessing some degree of skill, while the lowest wages are paid to generally unskilled labour. The main concern, however, remains the wages

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paid to the women (a) because their wages are so very low and (b) because they constitute the overwhelming majority of the workforce.

### Working conditions

The industrial section of Botshabelo is separated from the rest of the township, and is close to the main road to Bloemfontein. In fact the factories and the elite black housing section are the only parts of Botshabelo clearly visible to the passing motorist. (who is possibly en route to the Thab'Nchu Sun casino, less than three miles in a direct line from Botshabelo.)

The factories are all of a standard design, and all are behind high security fencing and gates, one of them having armed guards. Their average size is 1,250 square metres, with offices for the owners and managers directly adjacent to the production area.

However, the first feature one notices is not so much what is inside the factories, but rather the groups of men and women who sit outside them all day in the hope that some vacancy may arise, or some short term casual work become available.

Another feature strikes you at around lunch time, when the workers have to sit outside the factory (yet often within the gates), looking for a spot of shade in which to have their break. I saw no canteen or rest-benches in the majority of the factories I visited - the only shade generally provided was for the businessmen's cars.

In the clothing factories, as in many others, the production process is split into many different constituent parts, with one garment passing through as many as 14 hands. The main result of such a production process is the excruciating boredom which affects the workers, and their complete alienation from any involvement or interest in the work process. For some, their permanent job may be 8 1/2 hours daily, five days a week, of sewing a one inch line on hundreds of shirt pockets.

This type of work process occurs in cheap labour areas all over the world - the workers of Botshabelo, however, have other problems to contend with at the factory. For example, one practice used is to dock from the pay of any worker who spends "too long" at the toilet. This happens at a number of factories.

In another factory, in which I was shown around by the production manager, the most telling scene presented itself. There were rows and rows of women bent over busy sewing machines - some 248 in all - and there was a very large fan operating in the factory. The fan, however, pointed at the manager's desk only - the desk itself being elevated so that he could survey all his employees from behind as they worked facing the other direction. (Wages in this factory - R17 per week).

The number of hours worked by a worker are often overlooked when one is comparing and evaluating rates of pay. But with a generally longer working week and little or no statutory protection regarding overtime, the wages paid at Botshabelo become even lower.

Workers often work a basic 50 hour week with no overtime paid. In fact one manager alleged that in a certain company workers have money deducted from their basic pay if they refuse to work overtime. One company manufacturing metal products operated a shift system which allowed for production 22 hours a day - this meant that female workers finishing at 5 am have to walk home unprotected in the dark. (The wages paid to unskilled women workers in this firm are 30 cents an hour).

Most of the companies interviewed offered little in the way of standard conditions of employment such as pension, paid holidays, sick pay etc. To take the example of one clothing manufacturer that recently moved to Botshabelo - partly to escape unionised labour in Natal - and offered its workers no pension, no sick pay, no maternity benefit and no paid holidays. They did pay their women workers, however, between R17 and R20 per week.

One could go on relating abuse after abuse that is heaped onto these workers - the final reality of Botshabelo is captured very simply but sickeningly: as one manager explained to me, about once every week to 10 days, one of the women on the production line faints or collapses from hunger while working.

The workers try to hide the fact and claim that they are "ill" so that they will not lose their jobs - the solution to such hunger used by one company is to administer gripe water to help the workers ease their stomachs.

The hunger of the workforce is also noticeable by drops in production after the lunch break - lunch more often than not consisting

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of either plain brown bread or potatoes. By the afternoon, concentration and productivity drops both because of the nature of the work and the fact that the workers are hungry.

There is only one shop in the industrial area which, it is alleged, also manages to buy the damaged bread from the bakery. The workers claim that it charges up to 40c for half a loaf of brown bread, and 50c for half a loaf of white. I was not able to confirm the exact identity of the owners, but it is asserted that members of the QwaQwa cabinet have a stake in the operation.

### Women workers

As already noted, the production lines are operated almost exclusively by women. At one level, the manufacturers are making use of the socially constructed gender division of labour, which has generally made women's wages much lower than their male counterparts. As one manager put it, "To remain competitive we must employ female labour".

However, managers were also quick to mouth many of the conventionally-held wisdoms as to the suitability of women to certain kinds of labour. Below are a few examples:

- \* "This is mainly women's work - men do not have the patience. Women learn sewing while they are in the home."
- \* "Women are more reliable than men, they are more serious, they work harder and they don't drink. They are also more dexterous than males."
- \* "Sewing is difficult for men. It is easier for women to sew clothes."
- \* "Women are more efficient, more clever than males. The physical work, such as digging trenches, is reserved for males."
- \* "This society (African) is a women's society - the women work, the men only make children. The men are very lazy".

The last comment was from an Israeli manager of a Taiwanese company - he was obviously employed because of his expertise in what he referred to as "black culture". He also managed to claim that an attempted shift system at the factory had failed because "...

by 8pm they are asleep. It is in their culture - they are not dynamic people".

Women also have to put up with more personal indignity than the males. Workers allege that, at one Taiwanese firm, the whole workforce of over 200 women have to file through the gate onto the street past two males who feel around their breasts and between their legs in a search for stolen goods.

When managers were questioned as to whether they had any specific problems related to the employment of female labour, many referred to the "problem" of maternity. This was one manager's answer, "It's the normal crap. They have babies. So we organise a birth control clinic to come here once or twice a month, and the women are given injections or pills, while condoms are given to men. All of this is free."

This company offered no pension, no sick pay, but was prepared, however, to arrange for the "benefit" of a free service which is erroneously referred to as "family planning". As far as could be ascertained, most companies at Botshabelo made the same provision.

A common feature that has to be endured by all the African workers, however, is the pervasive racism that emerges from the owners and managers. This racism takes the form of either the most simplistic kind of race classification and generalisations, or else is characterised by an extremely paternalistic attitude.

It is small wonder that the workers respond to this racism with their own retorts. Many workers particularly dislike the Taiwanese employers, some of whom, according to two managers I spoke to, hit their staff. A common assertion from the workers is that the Taiwanese "are worse than the Boere".

#### BOTSHABELO'S CUSTOMERS

Although the rampant exploitation at Botshabelo would be easily uncovered by any company that wished to investigate its suppliers, the fact remains that it is the biggest and best-known names in South African retailing that are buying their goods from Botshabelo and places like it. Indeed, in the line of clothing, many companies were sewing in "name" labels at the point of production. They did not, however, declare that they were "Made in Botshabelo".

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### BOTSHABELO AND SANCTIONS

It was a matter of some pride to some of the industrialists I spoke to that their goods were able to be exported from South Africa, often employing methods that were clearly designed to counteract the effect of the limited sanctions programme against South Africa.

This is very clearly one of the implicit aims of places such as Botshabelo, certainly as viewed by the state. The Israeli company that I interviewed provides an interesting case in point. They came to Botshabelo after having been approached by representatives of the South Africans in Israel. The offer was clearly too good to let pass.

To escape certain Israeli regulations, they changed the name of the company and shipped out \$450,000 of new sewing machinery to Botshabelo - this obviously having some impact on employment in Israel. They are now producing clothing items of an extremely high quality at Botshabelo. That is one half of the story.

Another reason they were keen to move out of Israel was because of that country's high inflation rate, which made it hard for them to maintain a 95% rate of export. They now claim to export out of Botshabelo, using the original contacts made in Israel, and route the goods through Zurich. The goods certainly do not proclaim that they were made in South Africa. In such a manner the clothes are sold throughout the EEC and, the manager asserted, into such outlets as British Home Stores in England.

Managers said that goods made in Botshabelo are sometimes routed through nearby Lesotho or, in the case of another firm, through Mauritius, where the labels are changed, thereby obscuring the real country of origin. Alternatively, the old method of hiding the source of goods by changing papers of goods at sea is employed.

One company claimed to be exporting at least 80% of its goods to the USA, while others export to Hong Kong, Japan, and Australia. Many companies do not export their goods at present, but made it very clear that it was a future priority. In the case of one Taiwanese company, a major reason for moving was that they found it difficult to export to the USA because of quota restrictions, and have found it easier to manufacture and export the same goods

from South Africa.

### TRADE UNIONS

It came as no real surprise to find that the typical manager in Botshabelo displayed an openly hostile attitude to any attempts to unionise the workers. In fact, many of the local companies interviewed stated quite directly that one of their main reasons for moving was to avoid employing unionised labour.

Most companies did not employ a formal system to regulate industrial relations - indeed, many of them did not understand the question. They rather sought to rely on informal and arbitrary systems, expecting workers to come to them with their problems which would be "fairly" dealt with. In the one case where a company did have a system, the response was still illuminating: "We organise a workers committee that is democratically elected" (emphasis added).

With little or no protection, workers were very reluctant to individually present their demands to the management. As a result, they preferred to behave collectively for some protection and also, presumably, because the grievances were commonly felt. Some managers made racist comments, in this connection, about Africans therefore having what they describe as a "herd instinct".

A manager - recently arrived in Botshabelo - stated that one of the methods of controlling what he referred to as "agitators" was the blacklist of such employees, which was circulated by the Industrialists Association in Botshabelo.

Below are a few typical comments about trade unions;

- \* "Unions just want to use the workers for political ends."
- \* "In Taiwan unions are illegal. They are very bad, we don't want them. Here the black people stop working when they are with the unions."
- \* "Told them to fuck-off." (3 respondents)
- \* "We don't like them, unions only give you trouble. We feel that we are doing the best for our people." (This company was paying R15 per week and offered no sick pay, no maternity benefit, no pension.)

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However, what was doubly interesting was the fact that the union that was being referred to was not any of the so-called "political unions", but rather a somewhat obscure outfit called Team Mates. They are based in Vereeniging, but have an office at Bloemfontein, where I spoke to one of the officials.

The official claimed that Team Mates had about 700 members at Botshabelo, although he kept on referring to them as "customers", which is - to put it mildly - an interesting term for a trade unionist to employ. He said that they were not a "political" union and, indeed, were strong supporters of the capitalist system.

It was clear that the union had very close links with the QwaQwa authorities. The official claimed that they had had a meeting with Chief Minister Mopeli, and it had been agreed that Team Mates was the union for QwaQwa, and that it was especially important to keep COSATU out of the region. He also said that they "had no problem with the police", and that he had many personal friends in the police force.

The reality of Team Mates' efforts on behalf of the workers in Botshabelo was made clear by one manager, who had dealt with Team Mates. "We were very co-operative with them. They paid our supervisor 20c per client she recruited for them". Eventually, Team Mates had about 400 members in that factory, and levied R4 per month for membership. The manager eventually agreed to collect the money from the workers - some R1,600 per month - and in exchange Team Mates agreed to make no demands. The majority of workers have since withdrawn from the union.

Team Mates obviously serves a very useful purpose to the government and the businessmen at Botshabelo. Firstly, they get clear preferential access to the workers, although even they have major problems making an impact, such is the attitude of most employers. Secondly, through their very inactivity, they give genuine trade unionism a bad name, and thus may serve to make workers very wary of any agencies working on their behalf.

## CONCLUSION

After closely observing the conditions at Botshabelo, it is hard to come away with any impression other than that of business and the apartheid state working very closely together in the super-exploitation of the workers. Most managers were very complimentary

about the South African government and its agencies.

As far as the corruption of the businesses that were taking advantage of this "kindness" of the state, it is sobering to think that Botshabelo is but one of 49 such decentralisation points throughout South Africa. It is not necessary to name the companies involved - that would detract from the fact that it is not unscrupulous companies and bad individuals that are only to blame, but rather that it is the very system. What happens at Botshabelo is clearly not a mistake, but, rather, an example of the system working rather well.

What the state has done in Botshabelo is to forcibly move hundreds of thousands of people, uprooting their communities and destroying their social fabric. It has then invited businesses from all over South Africa and amongst South Africa's friends abroad, to come and take advantage of the misery it has created.

The state not only guarantees its friends their very high profits, but also uses its repressive machinery to make sure that such exploitation can carry on uninterrupted. The workers at Botshabelo can clearly expect no help from the state or the business community. They, somehow, have to organise themselves and link up with wider struggles for justice, although their isolation and continued state interference makes this difficult. As the South African government employs all of its propaganda agencies to show the world the results of the "immorality and double-standards" of the sanctions campaign, the claim is often made that what is needed to get rid of apartheid is not less foreign investment, but more of it - otherwise, "It will hurt the blacks of South Africa".

They are getting some of that desired foreign investment in Botshabelo. I have outlined some of the results. The investors in places such as Botshabelo - foreign and local - are doing nothing to abolish apartheid, but indeed come to Botshabelo and places like it because of the strength of apartheid's grip over people in such places. They are finding that apartheid is still very good for business. That, in short, is why apartheid cannot be reformed.