

# Business has made a mess!

*BERNIE FANAROFF of the National Union of Metalworkers of South Africa (Numsa), severely criticises management incompetence, and the government and business for their handling of the South African economy, and argues that a new industrial strategy has to be negotiated with the trade unions*

**S**tatistics on the economy show quite clearly that business has messed up the SA economy. Shareholders and management think only of their profits. Even now, they do not take into account what is needed to develop the economy of this country. We cannot trust businessmen to run this economy. Business is still saying that they can bring down unemployment if we allow them to make big profits. **That is nonsense.**

It is now clear that:

- Even government and some big capitalists admit that there is a major economic crisis in SA.
- They now admit that the criticisms which Cosatu made in the past were correct.
- Profits are still very high, at the expense of increasing unemployment, and less productive capacity.

Workers are facing an increasing cost of living, especially through VAT. Unemployment will continue to grow very fast unless we take steps to restructure the economy. This restructuring must be negotiated. Government and business must negotiate industrial strategy, investment to create jobs, technology policy, training strategy etc.

## Economic growth 1980-1990

TABLE I

Average annual economic growth rate

1960 - 1973	5,3%
1973 - 1980	3,2%
(higher gold price in 1973)	
1980 - 1989	4,6%

TABLE II

Real growth rate of industrial sector

1960 - 1973	8%
1973 - 1980	4,6%
1980 - 1989	0,6%

(falling gold price in 1980)

(64% of jobs in the formal sector are in industry)

TABLE III

Increase in jobs created in industrial sector

1960 - 1970	448 000
1970 - 1980	313 000
1980 - 1989	28 000

So from 1974-1989 new (additional) jobs in the formal sector amounted to 1,2 million. The increase in the labour force during this period was 4,7 million.

In addition, because of the cost of living, households and government had no money to save. Only the shareholders of companies could afford to save. But they did not invest their money in productive investment. Instead, they put their money where they got profits - but they did not create jobs.

The shareholders invested their profits into:

- property speculation;
- shares on the stock exchange (JSE);
- capital-intensive takeovers of other companies.

At the same time, incompetent management has led to lower capital efficiency. Labour productivity has risen, but slowly.

From 1980-1990 unemployment has increased from 3 million to 5 million.

## Gross Domestic Product (GDP)

This is a measure of the total wealth produced in South Africa each year. GDP grew very little in the 1980's. GDP dropped in 1990:

TABLE IV

GDP growth

1986	0,1 %
1988	3,8 %
1990	- 1%

GDP per capita peaked in 1982 and it has

dropped since then (ie the country's wealth per person has dropped). **GDP per capita is now decreasing at a rate of 4% per year.**

There was rapid growth of jobs in the informal sector in 1980-1990: 8% per year. This was mainly in the taxi industry, when it was deregulated, and in hawking when that was deregulated. **This will not happen again.** If there is further growth of informal sector jobs while GDP is dropping, it will only result in a lower level of income per worker in this sector.

South Africa has the world's highest income inequality (GINI Coefficient). To reverse the increasing unemployment will need a minimum 6% per year GDP growth.

## The mining industry

In the past, SA has always relied on the gold mining industry to pull it out of economic problems. Now the figures show that SA's gold mining industry is declining. South Africa's share of world gold sales has decreased from 70% to 40%.

Other countries can produce cheaper because their gold is not deep under ground like it is in South Africa. In addition, South African management is very backward. There might be up to 200 000 retrenchments in the gold mines in the next few years.

## A luxury economy

Most production is for luxuries - things which can only be bought by rich people (eg Mercedes and BMW cars).

**Business and government have no policies for the economy:**

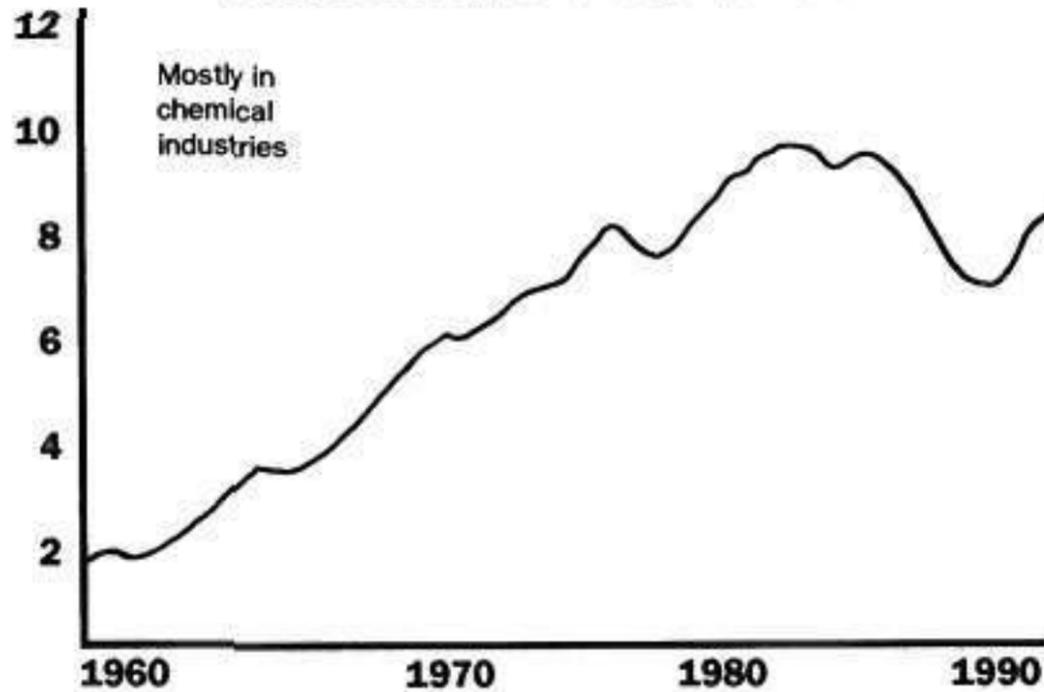
- Business and government have not invested in training and skills. They prefer to import skilled workers from overseas.

- Business and government have no technology policy.

- Business is not prepared to spend on research and development.

Business invests very little in modernisation of machinery and production. Business and government have no policy for the development of industry. Shareholders think only of their own dividends.

**Gross domestic fixed investment in machinery and equipment**



They are not prepared to spend money on training, job creation, research and development etc.

**TABLE V**

*Average expenditure on research and development*

JAPAN	6% of sales
U.S.A.	3% of sales
S.A.	0,5% of sales (approx)

Business only makes parrot cries. They say that the solution to the economic crisis is :

- Lower wages;
- No stay-aways;
- No government interference.

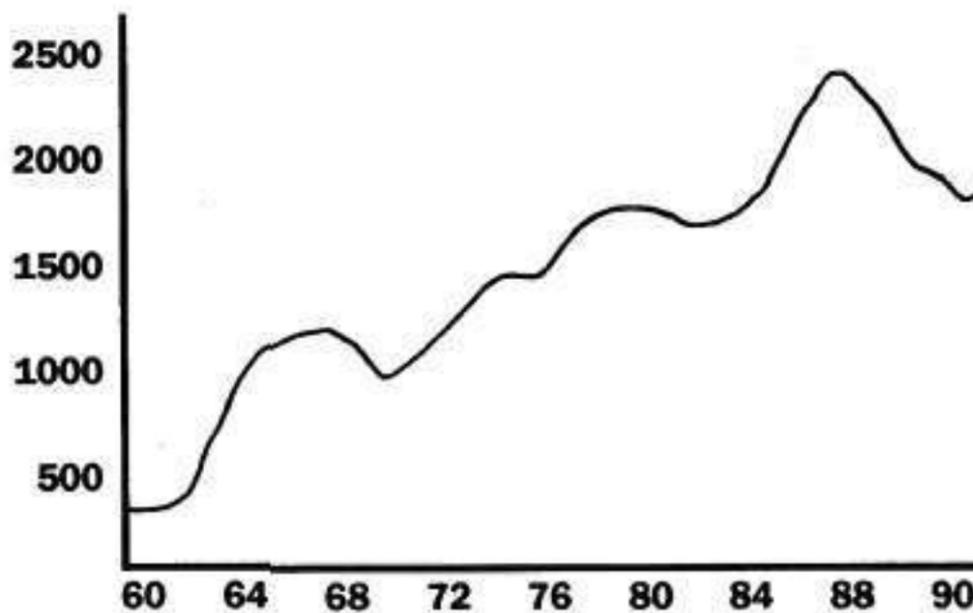
**This is nonsense.**

But things are changing. Now some Big Capitalists are admitting that the things which Numsa and Cosatu said for years are true:

- that there is an economic crisis;
- that management is incompetent;

**Dividends are kept high through cost-cutting - but results in loss of jobs and cutting of production.** On this page are some graphs which show that management has kept profits high. These graphs are from a survey of 245 companies which are listed on the JSE.

**Gross domestic fixed investment by manufacturing**



**TABLE VI**

*Profit of JSE companies, 1990*

*Average % increase*

*245 companies surveyed in 16 JSE sectors.*

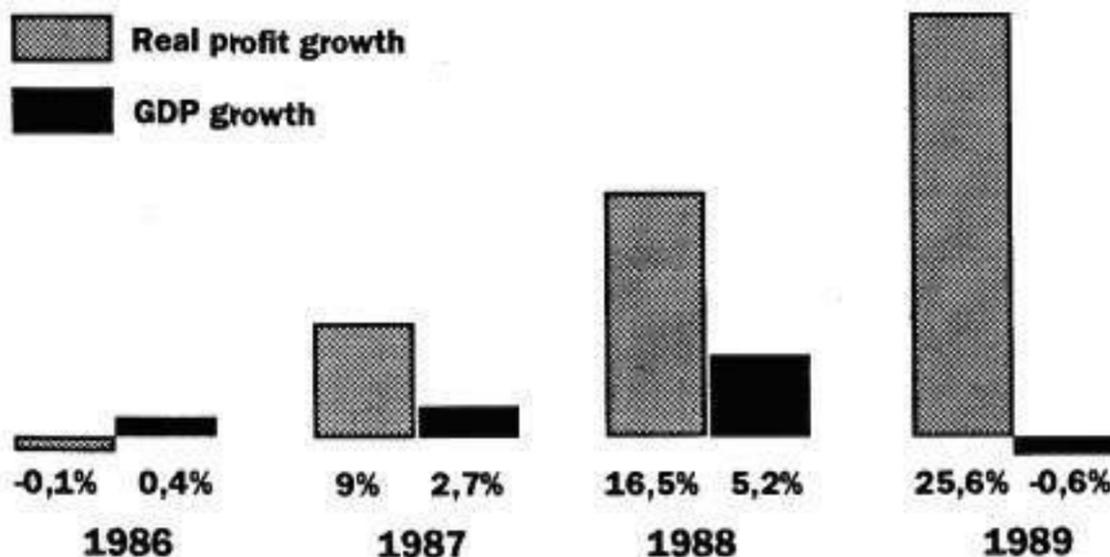
Engineering	45%
Industrial holdings	34%
Electronics	18%
Steel	16%

**TABLE VII**

*Return on assets of JSE companies, 1990*

Motor	23%
Steel	19%
Industrial holdings	18%
Engineering	16%

**Profits after inflation**



**Government does not look ahead.** For example, they are cancelling orders for telephone switchboards and retrenching workers. But they want twice as many telephones by the year 2000. So they will have to rehire workers after 2 - 4 years. That is just stupidity!

**Workers are facing increasing costs.** The bread subsidy will be cancelled at the end of march 1991. VAT will be added onto food, rent, bus and train fares, phone calls, etc. Metal workers will not benefit from subsidies, so VAT will increase costs for workers.

If we do not restructure industry and the economy, unemployment will in-

crease very fast to be very, very high. **Very high unemployment will mean that no political settlement will be stable.** Management condemns workers and union for stayaways. But management is silent about:

- The murderers and thieves of the CCB
- Torture and killing by the security police
- Magnus Malan's misconduct
- Corruption in the Department of Education and Training
- Waste of money in apartheid institutions
- Vigilante attacks and murder of their own workers in Natal Sebokeng, Katlehong, Tokoza etc.

Management is irresponsible for not condemning De Klerk for his protection of Malan, the CCB, the SB, the DET, the Tricameral circus etc. **Management must accept:**

- The process of political negotiation will require workers to mobilize. Negotiations can't be one sided.
- Business and government must negotiate the future of industry and the economy with the unions.
- Management must respect workers and unions more.

### Job creation through investment

The only way to reverse the trend to higher unemployment is through very big investments which will create jobs. These include:

- electrification for all houses;
- affordable housing for all;
- telecommunications;
- education and training;
- beneficiation etc.

Some money for these investments will come from:

- Scrapping apartheid structures such as the tri-cameral circus, the security police, the DET, many health depts. etc.
- Stopping corruption in government.

This will not be enough on its own. We can also borrow from the world bank and commercial banks overseas, and the international monetary fund. But if we look at the best of Africa and South America, we see that these organizations can force a country to follow economic policies which are not in the interests of the masses. Most economists agree that we have enough funds inside South Africa for most of these investments. The problem is: How do we unlock these funds? We can use:

- nationalization;
- taxation;
- prescribed investments.



**'We have to create more wealth for the manufacturing industry in South Africa'**

But on its own, even this is not enough. We have to create more wealth for manufacturing industry in South Africa. We have already seen that we can't rely on the gold mines anymore. This means that factories in South Africa will have to become more productive, so that they can supply the things needed by the masses and compete in the export market.

Higher productivity does not mean low wages. Higher productivity does not mean workers have to work harder. It means:

- planning;
- much more training for all workers;
- investment in modernization and in research and development; - better management;
- better planning and marketing;
- use of the extra profit to provide more job security, more jobs and a living wage;
- a coherent industrial strategy.

**All of these things must be negoti-**

**ated with the trade unions.** For instance, we don't accept that the Industrial Development Corporation has the right to sell its shares in SASOL etc, without negotiating with us. The terms and conditions of major investments must be **negotiated.**

This raises new issues for business:

- Negotiating industrial and investment strategy.
- Accepting some responsibility for taking a stand on vigilante and state violence.
- Accepting that the political negotiations process needs both sides to have some power - not only De Klerk. This means accepting the need for mass mobilization - not just dismissing workers as ISCOR did on 1 February 1991.
- Dealing with unions and workers in good faith - not like DORBYL. •

*\* Bernie Fanaroff is the secretary of the organising section of Numsa. This paper was presented to the National Industrial Council for the Iron, Steel, Engineering and Metallurgy Industry in March 1991.*