

SOUTH AFRICAN LABOUR BULLETIN

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Focus on Structural Unemployment.

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COMMENT 1STRUCTURAL UNEMPLOYMENT IN SOUTH AFRICA

Unemployment in South Africa has reached alarming proportions. One estimate contained in this issue of the *Bulletin* puts the level of African unemployment at 2,3 million (or 22% of the labour force) at the end of 1977, while another concludes that Africa unemployment was increasing at the rate of 14 000 workers per month - i.e. 470 per day - during the last quarter of 1976. Thus the problem is critical and demands urgent attention from policy makers-and effective action. Tremendous hardships and profound humiliation are undoubtedly being experienced by people without jobs. Basic humanitarian grounds alone call for swift intervention by the authorities and the private sector to provide appropriate remedies.

Whereas most commentators in other South African publications tend to concentrate on measuring the extent of unemployment and underemployment, this issue of the *Bulletin* focuses on analysing the causes of the problem. For it is only when these are fully understood that constructive and effective action can be taken to combat and overcome the situation. We are, therefore, publishing three articles based on different approaches to the question, each of which tries to explain the causes of unemployment and underemployment in the hope that this will stimulate further debate on the issue. We hope that debate will lead to concerted action on the part of the government and employers. While the articles have certain points in common, there are important differences and divergent themes. For example, Professor P.J. van der Merwe stresses population growth combined with rapid urbanisation as important contributing factors. Johann Maree, on the other hand, argues that the search for higher profits results in the investment of labour-saving technology. The industrial colour bar generates further unemployment by creating bottlenecks of skilled labour in the economy and gives it a twist so that the burden of unemployment falls mainly on Africans, Coloureds and Indians. Alec Erwin sees specific developments resulting from the peripheral nature of the South African Economy in the development of a world capitalist economic system as the fundamental causes of unemployment.

We do not claim that truth is the monopoly of any one party but do believe that unemployment in South Africa is a structural and not merely a cyclical problem. It is undeniable that a recession of four years' duration has intensified unemployment among our workers but there are fundamental structural forces of a political and economic nature which actually create unemployment. An indication of this process is seen from the fact that even during boom periods the absolute number of unemployed African workers keeps rising. It appears that even at the end of 1969, after a sustained period of high economic growth, African unemployment stood at the high level of 1,5 million. Basically the solution to the problem lies in changing the existing socio-political and economic structures which create unemployment. This means that all discriminatory laws in the employment field will have to be repealed. Thus it demands the abolition of job reservation and all discriminatory barriers preventing Blacks from being apprenticed. It requires ending the exclusion of Africans from direct and full participation in Industrial Councils. It will entail the introduction of equal educational opportunities for Blacks not only in primary and secondary schools, but also in technical and vocational training. It will also mean using more labour intensive technology which is produced locally, in preference to foreign capital-intensive technology. Tax structures will have to be changed to induce employers to use more labour and less capital. Industrial-decentralisation which only serves to bolster separate development will have to stop while that which makes sound economic sense will have to be retained. Influx control and the present labour bureau system for Africans, which serve only to hide unemployed workers in the rural areas, will also have to be eliminated.

Unless all these very necessary *basic* changes are made, not only will the problems of unemployment remain, but they will grow to such proportions that they will erupt into the society at large with disastrous consequences for both the employed and the unemployed. The time is long overdue for dismantling those structures which create unemployment. It is improbable that all the needful changes can be made without granting Black workers their democratic rights in both the political

and industrial arenas. Their representation and active participation in the system will ensure that unemployment is treated with the urgency it merits.

COMMENT 2UNEMPLOYMENT AND TRADE UNIONS

The problem of unemployment in South Africa is aggravated by two factors: few Africans can depend on an alternative source of income in the rural areas when they lose their jobs in the urban areas. A recent survey has shown that families in the Nqutu district of Kwa Zulu earned the low monthly income of R14,87 from subsistence agriculture (*Clarke & Ngabese, Women Without Men*, p.55). There are similar findings in other 'homelands'. Africans thus depend in the main upon wages earned in the modern sector for survival. Second, South Africa differs from those advanced industrial economies which provide extensive social security benefits to 'cushion' the dire consequences of unemployment. Here for the majority of the population social security is rudimentary. In 1974, for example, only 31,9% of Africans in employment contributed to the Unemployment Insurance Fund and only 8,4% of the unemployed received any benefit.

The inadequate unemployment benefits combined with the decline of subsistence agriculture in the 'homeland' raise the question of how unemployed Africans manage to survive. This matter certainly requires urgent sociological investigation, but three possible explanations can be put forward. First, the already low wages of the employed are spread to non-wage earners. In a survey conducted recently by the Agency for Industrial Mission among 150 unemployed people in Soweto, 103 of them were being supported by other earners in the household. Second, incomes could be supplemented by what economists call the informal sector, i.e. by such activities as unlicensed hawking of meat, fruit and other foodstuffs; second hand clothes dealers, pirate taxis and backyard mechanics, etc. Third, an increasing number of the unemployed may be engaging in crime. It appears that there has been an appreciable increase in the theft of food in recent times. For example, a Johannesburg report has a Fordsburg shopkeeper complaining that stealing food was 'getting worse and worse now because most of the factories are closing down.

If it goes on like this, all the small shopkeepers will have to close'. Thirteen of 20 shopkeepers approached said food had been stolen from their shops (Star, 22/8/1977).

Where unemployment of this magnitude - and its consequence, widespread poverty - exists, the argument is often produced that the extension of trade union rights to Africans which would only exacerbate the problem by increasing labour costs thus inducing further retrenchment. An obvious point is that unions are not concerned solely with immediate wage increases for their members. They also have long term interests in maintaining adequate levels of investment to generate full employment. The strike at Armourplate, for example, was not concerned with higher wages. The workers came out in an attempt to make management honour an agreement to put *all* employers on short-time rather than retrenching some of the people being employed (S.A.L.B. 3, No.7). This clearly, was a case where the recognition of a trade union - the Glass and Allied Workers' Union - would *not* have given impetus to retrenchment.

Furthermore, the recognition of African trade unions would probably break the 'closed shop' barriers which excludes African workers from certain categories of skilled labour. Although we have no overall profile of the unemployed, research undertaken by Lieb Loots and summarised in the Maree article provides a perceptive case study. It seems that large numbers of unemployed Africans are those with a Junior Certificate or Matriculation seeking work for the first time and unable to take up a trade because some trade unions exclude non-union labour from the jobs concerned. Clearly, the removal of job restrictions would enable the unemployed in this category to obtain jobs as skilled workers. However, the most important aspect of trade union recognition would be the role that these organisations would play as a pressure group on government. Recognition of African unions would also ensure that the interests of their worker-members were accorded a higher priority than they are given now when Africans are entirely excluded from the political process. To cite one example where the new influence

would be felt: the Unemployment Insurance Act provides for the use of funds from the Unemployment Insurance Fund to alleviate unemployment in critical situations. At the end of 1976 this fund stood at over two hundred million rand. If organised African Labour were not excluded as a pressure group from the political process, these funds would most likely have been used to ameliorate African unemployment.

Although unemployment in South Africa demands far more dramatic solutions than the recognition of African unions alone, it is our belief that employers can make a contribution to this immense problem by entering into negotiations with workers organised in representative trade unions.

UNEMPLOYMENT IN SOUTH AFRICA

by P.J. van der Merwe

The article Black Employment Problems, which appeared in the December 1976 issue of the Volkskas publication Finance and Trade Review and which contained estimates of the annual increase in the number of unemployed Blacks from 1 July 1970 to 30 June 1976, elicited widespread comment and enquiries. In the present article attention is paid, firstly, to what has happened since then, and, secondly, the spotlight is thrown on certain related structural, rather than cyclical, factors.

TOTAL UNEMPLOYMENT

As a result of the sustained downswing in the economy and a further decline in real economic activity, unemployment as well as under-utilisation(1) in urban and country areas have increased further during the last two quarters of 1976, as appears from the data below.

URBAN AREAS

In urban areas (including towns in the Homelands) it is estimated that the number of unemployed Blacks increased by 29 000 during the third quarter and by 42 000 during the fourth quarter, which brought the total number of unemployed Blacks to 222 000 on 31 December 1976, or 7,0 per cent of the urban labour force. The rise of 71 000 in the number of unemployed Blacks was caused by the sharp absolute drop in employment in the non-agricultural sectors (-31 000) as well as by the considerable increase in the economically active population by almost 40 000. Large decreases in employment occurred in two sectors in particular, namely manufacturing (-20 000) and construction (-15 000).

WHITE RURAL AREAS

In White rural areas the number of unemployed and under-utilised Blacks would have amounted to about 400 000 if there had not been a significant migration of Black work-

seekers to urban areas. To the extent that such a migration did take place the unemployment figure in urban areas will of course be that much higher, whereas unemployment and under-utilisation in White rural areas will be proportionately lower.

HOMELANDS

In rural areas in the Homelands unemployment and under-utilisation (voluntary and involuntary) increased by 38 000 during the last two quarters taken together as a result of a rise in the economically active population and a subsistence agricultural sector which is already "overcrowded".

COLOUREDS

Unemployment and under-utilisation among the Coloureds increased by 3 500 during the third quarter of 1976 and according to preliminary estimates, by 12 300 during the fourth quarter to a total of 140 000 on 31 December 1976.

REGISTERED UNEMPLOYMENT FIGURES

On 31 December 1976 the number of registered Black work-seekers amounted to 102 382 (1,5 per cent of the labour force) and the number of registered Coloured work-seekers to 7 800 (0,8 per cent of the labour force). These figures, however, do not include under-utilisation workers or "unemployed" persons in institutions. Further, it is generally known that many work-seekers neglect to register as such at labour bureaux. It is also accepted today in all modern Western countries that a so-called friction unemployment level of three per cent is not only inevitable owing to job changes and the relatively short periods of unemployment which result from this, but that it is also in the interest of the efficient operation of the market mechanism that a reasonable degree of inter-changing of jobs should indeed take place. If a friction unemployment percentage of three per cent is applied to the South African labour force, it means that unemployment figures of 28 000 in the case of Coloureds, 96 000 in the case of urban Blacks and 52 000 in the case of Blacks in White rural areas must now be regarded as "normal" by anyone who believe in individual freedom of

choice and an effective free market mechanism. The official figures for registered unemployment of course do not distinguish between friction unemployment and other types of unemployment, such as cyclical unemployment (which is associated with the trends in the general economic situation) and seasonal unemployment. For policy purposes the distinction between the different types of unemployment and the quantification of each one is of course very important because the instruments for combining each of them naturally differ.

POPULATION GROWTH

The rate of population growth is an important contributing factor to rising unemployment and it is precisely with regard to population growth that the position in South Africa differs radically from that in other Western countries, as appears clearly from the figures in the table below.

The figures in the table show that the areas of growth of the various population groups in South Africa are in all cases much higher than the rates of growth in the Western countries mentioned. Dependants (persons 0-14 years) also constitute a much larger percentage of the population than is the case in the Western countries of the world. The high population growth and youthful age structure of the population in South Africa create a tremendous present and future need for new employment opportunities—a need which even in the most favourable economic circumstances would be very difficult to satisfy. At the same time a rapid population growth and a high dependence burden have a restrictive effect on economic growth and development (i.e. on the creation of employment opportunities), inter alia because they depress per capita savings, reduce the physical stock of capital per worker, necessitate increased government expenditure on social services (particularly health, education and housing), delay improvements in the quality of education and training and increase the pressure on the balance of payments.

Rate of growth of the population and percentage of the population in the age group 0-14 years in some Western countries, 1975

Country	Annual growth rate (%)	Percentage of population 0-14 years
Belgium	0,3	22,6
West Germany	0,1	22,1
France	0,7	24,2
Italy	0,9	24,2
Netherlands	0,8	25,6
United Kingdom	0,1	23,6
USA	1,0	28,5
South Africa		
Whites	2,1	31,3
Coloureds	2,9	46,2
Asians	2,6	41,3
Blacks	2,9	43,4

Sources: EEC - Verslag over de ontwikkeling van de sociale toestand in de Gemeenschappen in 1975. Republic of South Africa Department of Statistics Population projection for the RSA, 1970 to 2020. Report No. 02-06-01.

The demands which a high rate of population growth makes on the limited resources of a country naturally raise the question whether expenditure in the field of family planning does not merit a much higher priority than it is generally accorded at present. In this regard the Development Centre of the Organization for Economic Co-operation and Development has said the following: "Per capita income would be increased sixty times more by population control than by the alternative (non-control, that is)."

URBANISATION

A further important factor which aggravates the problem of providing employment opportunities, particularly for the Black population, is the rapid urbanisation, which gained tremendous momentum in South Africa after 1960 owing to the rapid growth of the population, the

establishment of towns, the attractiveness of urban complexes as a result of social health and educational services and the possibility of higher incomes than in rural areas, is undoubtedly one of the most serious problems of modern times, not only in South Africa, but also in many other developing countries of the world, as appears from the data in the following table:

Country	Percentage of population in urban areas, 1960 and 1970	
	1960	1970
Southern Asia	17,8	21,1
Eastern Asia	22,9	28,6
Latin America	48,4	55,8
Africa	17,8	22,4
South Africa		
Whites	83,6	86,8
Coloureds	68,3	74,1
Asians	83,2	86,7
Blacks: RSA	31,8	33,1
White area	50,3	54,6
Homelands	0,8	8,5

Sources: Republic of South Africa. Department of Statistics. South Africa Statistics, 1976. UNO. Human Settlements, the Environmental Challenge. 1974

The figures in the above table, however, only show the tip of the iceberg because they do not include the tremendous squatter concentrations taking shape around urban areas and creating socio-political problems which are detrimental to the whole social order. Micheal Todaro of the Rockefeller Foundation in the USA puts it dramatically in the following words: "The growing dilemma of a decaying and dangerous urban environment with the attendant proliferation of masses of restless, politically active, unemployed youth eventually may prove to be a much more serious threat to the future of mankind than melting polar icecaps or a slowly poisoned

atmosphere."

In South Africa there are already several large squatter concentrations in various Homelands which are a source of great concern, such as the Winterveld complex in Bophuthatswana. It is estimated that there are between 350 000 and 500 000 people living in this area on private and tribal land without all the basic services normally required for any concentrated residential complex.

The answers to the problem of uncontrolled urbanisation and squatting seem to lie, inter alia, in family planning increasing the economic and physical attractiveness of the rural vis-a-vis the urban areas, and the ordering and regulation of urban and peri-urban settlements of persons from rural areas, no matter how unpopular this may be.

WAGE GAP

A third important factor which at all times exerts an important influence on employment is the pressure for higher wages and salaries and the closing of the so-called wage gap. Wage and salary increases, however, which bear no relation to workers' marginal productivity in money, could only give rise to higher prices and/or lower profit margins, and consequently to a drop in employment and a rise in unemployment. Increases in workers' marginal productivity in terms of money depend, inter alia, on efficient management, education and training and the motivation of workers. As a result of cultural, historical, economic and other factors, however, there are large numbers of adult Black and Coloured workers with a low educational level. In 1970 for example, 85 per cent of the adult male Black workers in rural areas and 39,9 per cent of those in urban areas were classified as far as educational level is concerned, under "none" and "unspecified". The percentage of male Black workers with an educational level "none to Standard 5" was 94,3 per cent in rural areas and 82,0 per cent in urban areas. In the case of Coloureds 24 per cent of the adult male workers had no educational qualification and 68,0 per cent an educational level of "none to Standard 5". The corresponding percentages of

White male workers were 1,1 per cent and 4,4 per cent respectively.

The above figures show very clearly that the closing of the wage gap through the application of the principle of equal pay for equal work by persons with equal qualifications will have to be accompanied by a massive programme of adult education, with the emphasis on basic literacy and basic skills. The Department of Bantu Education already started with efforts in this regard towards the end of 1975, but there is a tremendous amount which can be done by the business sector and community organisations themselves.

South Africa has already had its "water year" and it would not be inappropriate to think of a "literacy year" and a national effort to raise the literacy level of the adult population. If countries such as the USA and Brazil, for instance, national campaigns to promote literacy were launched in the early sixties already. The general view in the USA is that a minimum of eight years of education is needed for any individual to be able to take economically and otherwise balanced decisions in a modern, rapidly changing technological age characterised by awesome volumes of literature, advertising, etc. bearing down upon the individual in the normal course of his daily life. In this regard too the rate of population growth naturally plays a key role as regards the success or otherwise of such national efforts. In the light of the South African situation it is therefore in everybody's interest that this should also receive attention in attempts to promote literacy. Without a reduction in the present rate of growth in population numbers we have little, if any, hope of success in directing the material living conditions of the population along the right channels.

MECHANISATION

A further factor which also exerts an important influence on employment nowadays is mechanisation, i.e. the increased use of capital intensive techniques. This tendency, which is world-wide, is of course stimulated by the rate of technological innovation but is also accelerated by the strong pressure on salaries

and wages and the production losses as a result of strikes. The fact remains that excessive capital intensification, although it gives rise to increased production and development, continuously erodes the employment potential of the economy. In a young developing country, such as South Africa, with a limited market and therefore relatively small production volumes, we should guard seriously against the uninhibited use of sophisticated and very expensive capital equipment which can be optimally used only if, relatively speaking, we could produce at a very large scale. It is not only harmful to the country's balance of payments and cost structure, but also has an undesirable effect on employment, both directly and indirectly. On the one hand, the use of capital intensive techniques increases the demands for trained manpower, of which there is already a serious shortage. On the other hand it contributes little to employment opportunities for the large numbers of unskilled work-seekers and new entrants to the labour market.

PROFESSOR P.J. VAN DER MERWE.
University of Pretoria

- 1 The term "under-utilisation" refers to persons working less than the normal number of hours per day as well as persons working normal hours but at income levels below their potential.

THE DIMENSIONS AND CAUSES OF UNEMPLOYMENT AND
UNDEREMPLOYMENT IN SOUTH AFRICA *

by Johann Maree

INTRODUCTION

The current recession in the South African economy has gradually brought home an awareness that unemployment exists in the country and that it is becoming a growing problem. But has unemployment existed only in recent years? Can it be attributed exclusively to the recession during the past four years? The aim of this article is to show that unemployment and underemployment are endemic to South Africa and that the causes thereof lie in the socio-political and economic structures of our society. Only basic changes in these structures are going to eliminate the extensive underemployment.

DEFINING UNEMPLOYMENT AND UNDEREMPLOYMENT

It is necessary before analysing unemployment and underemployment, to define what is meant by these terms. The economically active population or labour force comprises all the people of working age who are working for a wage as well as those who are self-employed, and those who are not working but looking for employment. This last category constitutes the unemployed. Unemployment thus exists when members of the labour force are not working or looking for work. There is a severe limitation with this concept because it is a timeless one. Either people are assumed to be unemployed at a given time or, as is the case in some countries, they are unemployed if they have not been working for the past week. One week is however a very short reference period and it tells us nothing about the employment situation of the person over a longer period of time. In South Africa, where the largest private employment sector which also has the greatest difficulties in estimating unemployment, is agriculture, a better reference period is therefore one year. Underemployment is then said to exist if a person is working for a part of the reference

* I wish to thank Sean Archer, Ian Goldin, Dudley Horner, Brian Kantor and Aldie Kooy for helpful comments and criticisms they made to an earlier draft of this article.

period and would work for a longer time during this period if more work was available. This definition allows for the measurement of different degrees of underemployment, such as those working less than 3 months in the year, those between 3 and 6 months per year, etc, but the unavailability of statistics in South Africa does not allow us to make these distinctions at present. Strictly speaking unemployment should then refer to people who have done no work at all during the past year, but none of the estimates of unemployment in South Africa uses such a rigid definition of unemployment.

In this article I shall use underemployment to refer to people who are working for less than the full reference period (one year) and unemployment to refer to people who are not working at a particular time.

There is no indication of how long such people have been unemployed, the only definite statement that can be made about them is that they are not working. Unfortunately these two terms are not mutually exclusive because underemployed people could also be unemployed at a particular time. Likewise unemployed people are by definition also underemployed within the appropriate reference period. The inadequacy of South African statistics and the ambiguity of their use by people who try to measure unemployment and underemployment, reluctantly make me choose these definitions.

There are advantages in choosing these definitions though. When referring exclusively to underemployed labourers I shall refer to people who work less than full time even though they may do some work during the reference period, but when writing of unemployed labourers I shall mean people who are definitely not working at a particular point in time.

DIMENSIONS OF UNEMPLOYMENT AND UNDEREMPLOYMENT

Official statistics on unemployment in South Africa are thoroughly unreliable. As a result a number of academics have and still are endeavouring to obtain a more reliable measure of unemployment and underemployment in the country. (1)

A very recent measurement is that of Charles Simkins who derives annual underemployment figures from 1960 to 1977.

A brief description of the method that he used gives an indication of the immense difficulty in measuring underemployment. Simkins employs the difference method which defines underemployment as the difference between the labour force and the employment level. The employment unit is the full-time job equivalent. This means that he converts underemployed workers into a (lower) number of full-time job equivalents and a remainder of people not working. Casual workers on White-owned farms are converted into full-time job equivalents on the improbable assumption that the daily wage rates of casual and regular farm workers are the same.

Another difficult sector in which to arrive at an employment figure is the pre-capitalist agriculture sector in the 'homelands'. Simkins bases his calculation on the Tomlinson Commission's estimate in 1951/2 that an annual gross income per earner of R46,30 (R95 at 1973 prices) would be enough to attract an African permanently to full-time farming. By dividing this figures into the annual agricultural output of the 'homelands' and making suitable calculations he estimates employment in this sector. The income that this calculation is based on is certainly too low, but it is worth pointing out that it leads to a higher employment, and hence lower underemployment, figure than would otherwise be the case.

Simkins estimates that underemployment has almost doubled from 1,2 million in 1960 to 2,3 million by 1977. In relative terms this constitutes an increase from 18,3% of the labour force in 1960 to 22,4% in 1977. This period can be divided into two shorter periods: the first from 1960 to 1969 when the trend rate of underemployment was stable at around 19% and the second from 1969 to 1976 when it showed a tendency to rise to over 22%. Significantly, the growth in national output during the first period was 5,9% while it dropped in the second period to 3,9%. (2)

Another academic who uses a similar approach to that of Simkins is Knight, but he is more cautious about his conclusions and arrives at no fewer than eight different estimates of underemployment based on different combinations of assumptions. Knight seems fully justified in being more tentative because of the unreliability of the statistics. Some of the problems he had to contend with were changing definitions of female economic activity in the 'homelands' in different census counts, conflicting results between the agricultural census and the survey conducted by the South African Agricultural Union and underenumeration in 1951 and 1960. To give but one example, a check on the census in the Modjadji location in the Northern Transvaal established that the population exceeded the census counts by 142% of the census figure in 1951 and by 59% in 1960.

Whichever set of assumptions Knight makes, his results indicate that the absolute number of underemployed Africans either remained constant or increased between each of the census counts after the second World War. Because he is more tentative it is not possible to put forward a single underemployment figure derived by Knight. However, the figures derived from the more plausible assumptions suggest that African underemployment rose from about 0,5-0,9 million in 1946 to about 1,3-1,6 million in 1970. Knight also makes a projection and estimates that African underemployment will lie somewhere between 1,5 and 2,1 million by 1979. (3)

Prof. P.J. van der Merwe from the University of Pretoria has also made estimates of the level of underemployment and rate of increase of unemployment. (4) His "high" estimate of underemployment as at 31st December 1976 for Africans is 1,06 million of which 222 000 are in urban areas, 401 000 on White-owned farms and 437 000 in 'homeland' rural areas. This figure is considerably lower than Simkins' figure and is mainly due to the fact that van der Merwe uses as his starting point the African unemployment figures provided in the 1970 population census. This step is totally unjustified in view of the fact that the following instructions were given to enumerators:

1. A male who described himself as unemployed, and living in a rural area, had to be classified as employed in agriculture.
2. A man who indicated the occupation and industry of his last job, but was unemployed, had to be classified as employed in that industry.
3. All the females (16 years old) in rural areas and unemployed had to be classified as farm workers, unless the wife of the household head.
4. A woman who gave her occupation as domestic servant and who was unemployed, had to be classified as employed as a domestic servant. (5)

Prof. van der Merwe seems to be on much firmer ground when he calculates the increase of unemployment from 1970 to 1976. Over this period he estimates African unemployment to have increased by 107 000 per annum or 8 900 per month on average. He notices a rise in this rate of increase to reach an increase of 14 000 per month during the last quarter of 1976. This amounts to an increase of no fewer than 467 per day on average!

A further valuable contribution by Prof. van der Merwe is that he also provides a measure of the increase in Coloured and White unemployment although the White unemployment figures would have been reduced "very appreciably" if he had included military trainees in the employment figures. The increase in Coloured unemployment for the period of 1970 to 1976 is calculated to be 118 000. An alarming conclusion of van der Merwe's study is that no fewer than 57% of the increase of the African labour force between 1970 and 1976 have remained unemployed while 51% of the Coloured labour force increment have joined the unemployed. (6)

While the academics were calculating their unemployment and underemployment levels, the Department of Statistics has undertaken an unemployment survey which is not to be confused with the 1970 population census referred to earlier. In a statistical news release of 31 Jan. 1978 they claimed that African unemployment was 634 000 comprising 12,4% of the labour force. To qualify as

unemployed a member of the labour force had to have worked for no more than 5 hours in the previous seven days and have attempted to find work during the previous month. Such a definition excludes underemployed workers who might have done more than 5 hours work during the preceding week. It is therefore a measure only of unemployment and not underemployment. (7)

CRITICISM OF UNEMPLOYMENT MEASURES

There are many weaknesses in the studies of unemployment and underemployment outlined above. One of the major weaknesses is the unreliability of the figures as is indicated by the large differences between the various estimates. Even Simkins who provides a very sophisticated estimate of underemployment made an equally refined estimate a year ago that underemployment in 1976 was 679 000 or 32% less than in his estimate referred to above. (8) What guarantee is there that he will not come up with a very different estimate again in one year's time? In Knight's case the full range of his eight estimates is much wider than the ones based on his more plausible assumptions. For instance, in 1970 Knight estimates that African underemployment might have ranged from 378 000 to 1,6 million. Clearly this indeterminacy is not due to these academics. They have in fact done outstanding detective work solving the mysteries of conflicting sets of statistics. The large variance in the estimates should make us doubly careful before drawing hard and fast conclusions about the precise level of underemployment in South Africa.

Another major weakness is the lack of clarity of what exactly is being measured. The definitions of unemployment and underemployment are inadequate while it is often unclear what exactly has been measured by the time results are obtained. Underemployed workers may have worked only one month in the year or they may have worked 11 months. The same applies to unemployed workers. Once again this inadequacy is not the fault of the academics, but the shortcomings of the information with which they are working.

However, there are also shortcomings in the methods used by Simkins, Knight and van der Merwe. A mistake common to both Simkins and van der Merwe is their treatment of migrant labourers. Simkins appears to exclude them from all non-agricultural sectors of the economy while van der Merwe also excludes them from all these sectors with the exception of mining which he assumes to be composed of foreign and 'homeland' migrant workers. Although this incorrect assumption does not affect the overall unemployment measure it does mean that they underestimate the level of urban unemployment and overestimate the level of rural, especially 'homeland' underemployment. To the extent that non-agricultural sectors employ migrant labourers the level of urban unemployment will be higher than estimated either by Simkins or van der Merwe.

Employment and underemployment estimates in agriculture in the 'homelands' by Simkins and Knight probably constitute the weakest part of their papers. They adopt the unrealistic Tomlinson Commission assumption that an annual income of R95 (at 1973 prices) which is less than R8 per month would be enough to keep a producer permanently tied to the land and fully employed. Prof. van der Merwe on the other hand assumes that the complete increase in 'homeland' labour force with the exception of mine labourers remain underemployed in these regions and don't otherwise set a foot outside the 'homelands'.

Factors that have been left out of consideration in these studies are the employment patterns of migrant labourers: the duration of their urban jobs and of their stay in the rural areas, and what they do when they are back in the rural areas. Are they 'resting' or are they performing some vital agricultural functions like fixing kraals and fences, ploughing or harvesting? Furthermore migrant labourers either have contracts or work illegally in the urban areas and both these groups need to be considered. Where, in fact do these men and women really live? Should they be counted as part of the urban or rural labour force? This question becomes even more relevant when the extent of squatting on the peripheries of South Africa's cities is considered.

Recent surveys of African squatters in Crossroads , Cape Town, have revealed that even though 50% of the husbands and 90% of the wives of families living in Crossroads , are illegally in the area the average continuous period of residence in Cape Town of all the husbands in Cross Roads is 18 years and of all the wives is 12 years. (9) Although acknowledged to exist by van der Merwe, the very large numbers of Africans residing illegally in urban areas were ignored in calculations by all concerned. In 1976 a quarter of a million African men and women were arrested for pass offences in the country's major urban areas. (10) Indications are that many, if not most, of these men are working and the women either join their husbands or work or both. Employment could either be for wages in the formal sector or self-employment in the informal sector or marginal pole. Although these self-employed people could well constitute a work force that has become marginalised in our capitalist system, they are nonetheless involved in production and generating income. (11) In spite of these criticisms of the underemployment studies there is no doubt that they all show that unemployment and underemployment are serious and growing problems in South Africa.

PROFILE OF UNEMPLOYED

A serious omission thus far from macro-studies on underemployment is a profile of the unemployed workers. Who are the unemployed? What are their ages, sex, education, training and skill levels? Two recent and very useful surveys by Lieb Loots in 1977 help to cast some light on this question. (12) These surveys are very local and can in no way be said to be representative of South Africa as a whole although they are representative of the areas surveyed. Nonetheless they do give us very valuable insights.

One of the surveys covers an urban area while the other covers a rural area. The urban area comprises the Pretoria townships of Atteridgeville and Mamelodi while the rural area is Saulspoort, a rural village about 200km to the west of Pretoria. A tracer method was used in both surveys starting with the households and then trying to trace the employed and unemployed.

members of the households.

The unemployment rates were found to be 15,7% and 34,0% respectively in the case of urban men and women and 13,9% and 19,3% in the case of rural men and women. The unemployment level of women is considerably higher than that of men: in the urban area it is more than twice as high as the men's unemployment rate. All of these rates are very high indeed and correspond well with the rates found in the macro-studies.

Probably the most important characteristic of the unemployed is that they are mainly the young. In the urban area 75% of the men and 69% of the women who are unemployed are under 30 years of age. In the rural area this age group constitutes 58% of the male and 79% of the female unemployed. The unemployment rate in this lower age group is also considerably higher than the average rate of unemployment. In the 20 to 24 years age group which contains a third to a half of the unemployed, the unemployment rates are 28,6% and 57,8% respectively in the case of urban men and women, and 39,6% and 48,0% in the case of rural men and women. The unemployment rates of the 15 to 19 years age group are even higher than these rates, but they constitute a relatively small proportion of the total unemployed labour force because many of their peers are still at school.

Education also has an influence on unemployment although the picture that emerges is not too clear. One fact that emerges very clearly though is that people with a technical or professional training suffered hardly any unemployment. These people constitute only a small fragment of the unemployed while the overwhelming bulk of the unemployed have had less than 9 years education. This in itself is not significant because about the same proportion of the labour force also has less than 9 years education. What is significant though is that the unemployment rate is highest amongst the higher qualified (Matriculation in the case of men, J.C. and Matric in the case of women). This suggests that they are too well qualified for the job opportunities open to them.

Occupation and industry does not seem to influence unemployment significantly with the exception that professional and technically trained workers have lower unemployment rates.

The possibility that the unemployed constitute the less stable (in terms of duration of previous employment) and less experienced (in terms of number of jobs held) members of the labour force was also investigated. With the obvious exception of new entrants into the labour market who had never worked before, this was found not to be the case. This was demonstrated very ingeniously by showing that the duration of previous or present employment is the same for the unemployed and employed in each of the age groups even though the older age groups (both the employed and unemployed) had longer employment records than the younger age groups (both employed and unemployed). Loots suggests that this can be explained by a job-search process through which workers try out different jobs in search of the occupation that best suits them, pays best and offers the greatest opportunity for advancement. As workers grow older they are more likely to settle down in the knowledge that they have obtained the best possible job available to them.

The final important profile of the unemployed drawn by Loots helps us to answer the question whether the unemployed have or are becoming a marginalised proletariat. Of all the unemployed about a quarter of the men and half of the women have not worked before. Not too much significance can be attached to this as it has been pointed out above that the unemployed are mostly young. On the other hand, the fact that 9,6% and 27,7% respectively of the urban and rural males, and 33,9% and 13,0% of the urban and rural females have been unemployed for more than a year suggests strongly that a fairly large proportion of the unemployed are marginal to our capitalist system in that their labour appears not to be required.

Having noted the dimensions of unemployment and under-employment in South Africa we now need to consider what are the causes of this large and growing problem.

CAUSES OF UNEMPLOYMENT AND UNDEREMPLOYMENT

Can the high level of underemployment and the rapid increase of unemployment be attributed to cyclical factors and the current recession? The evidence cited above indicates that, although the slump has caused a rapid deterioration in the situation, there are more fundamental structural forces of a socio-political and economic nature at work that are generating unemployment and underemployment. This is demonstrated by Simkins' finding that at the end of a nine year period of high economic growth of almost 6% per annum the level of African underemployment stood at 1,6 million constituting 19% of the labour force. Knight's finding that the level of African underemployment has risen fairly consistently from approximately 0,5 million in 1946 to the present time lends further support to this argument. At best a boom in South Africa can keep constant the proportion of the underemployed African labour force even though the absolute level of underemployed workers increases. During a slump the relative and absolute number of underemployed African workers rises. Structural forces are therefore creating a tide of underemployment while trade cycles produce waves that push the tide out.

What are the structural forces at work in our economy? I shall outline what I consider to be some of the major structural causes of underemployment in South Africa, full well realising that my view on the matter is only a partial view and not a full grasp of the total reality. In order to give a comprehensive answer it is necessary to provide a thorough historical analysis of the South African political economy from as far back as the nineteenth century, but the aim of this article is more modest and I shall refer only briefly to some of the historical factors that have contributed to structural underemployment in the country.

(1) HISTORICAL CREATION OF SUPPLY OF
UNSKILLED LABOUR

The struggle for land between Whites and Africans is crucial to an understanding of labour supply in South Africa. The conquest of tribes across the length and breadth of the country and the subsequent appropriation of their land to the extent that only 13% of the land area of South Africa is designated as their 'homelands' was predominantly responsible for the creation of a large supply of cheap labour. By cheap labour is meant labour at wage rates lower than the value of subsistence output of African rural producers, the minimum wage that would have had to be paid to induce them to engage freely in wage labour. At first White farmers and later, after the discovery of diamonds and gold, mineowners required unskilled labour, but they wanted cheap labour so extra-economic forces were used to squeeze labourers out of the Reserves and from the White-owned farms where many Africans were renting land either for cash or on a share-cropping system. Some of the legislation passed with this purpose in mind were the Glen Grey Act of 1894 which sought to settle African households in the Ciskei and in some districts of the Transkei on arable plots that were too small to earn a living, and the Land Act of 1913 that had as its immediate object the abolition of the share-cropping system and rent-paying tenants. (13)

In addition to alienating Africans from their land, tax systems of various kinds were introduced in order to compel them to take up wage labour. In the Cape Colony the Location Act of 1876 imposed a tax on both the landowner and Africans living on their land, but exempted those Africans directly in the employment of the owner. Various other taxes such as hut tax and even a labour tax were imposed in different parts of the country. (14)

The penetration of colonial rulers and mercantile capital into some of the Reserves in the nineteenth century weakened their economic base. Traders were able by various means to cream the surplus product from peasants. Lack of investment in the necessary economic infrastructure in the Reserves such as road and railway

links and the unavailability of credit for African agriculturalists put them at a distinct disadvantage relative to White farmers. (15)

Other factors also contributed to the proletarianisation of African rural producers. The Xhosa cattle killing of 1857, the Rinderpest that swept the country in the late 1890's, the Anglo-Boer War, East Coast Fever of 1912/3 that killed 70 - 80% of cattle herds in the Transkei plus periodic droughts all reduced the means of production of most of the rural Africans. (15)

All these factors coupled with the growth in African population set in motion a process of partial African proletarianisation over a period commencing in the 1870's and carrying right through to the 1930's and even beyond. (16) Although evidence of underemployment in the early period is not readily available the Native Affairs Commission of 1903-5 noted complaints of land shortage in the Reserves and the presence of "surplus or idle Natives" in urban areas. (17)

During the depression years of the early thirties unemployment bit deeply into workers from all race groups. The number of registered workseekers rose from 81 000 in 1930 to 138 000 in 1933. (13) As regards Africans, the Native Economic Commission of 1930-32 reported that an "appalling problem of Native poverty" was developing in the Reserves where people were faced with mass starvation. (19) In Johannesburg alone it was estimated that 14 000 Africans were looking for jobs at the beginning of 1932. (18) By October 1937 it was alleged by a Johannesburg city councillor that 93 000 Africans were living "by their wits" on the Reef. (20)

Although more research is required it seems reasonable to conclude that the alienation of Africans from their land plus other structural forces to be considered below, had generated African unemployment before the start of World War Two.

(2) CAPITALIST DEVELOPMENT AND CAPITAL-INTENSIVE TECHNOLOGY

Thus far we have only considered the supply of labour in an historical context. It is important to focus

on the demand for labour as well because unemployment results when the supply outstrips the demand for labour.

The demand for labour is related to the rate of employment creation in the economy. This, in turn, depends heavily upon the amount and type of investment that takes place in a capitalist economy as exists in South Africa. A central feature of capitalism is the goal of profit maximization on the part of investors. Investment decisions are therefore predominantly determined by profitability criteria and not social goals such as creating full employment. There is also no basic reason why profit maximization should create full employment although there could be periods of full employment. The existence of unemployment is therefore perfectly compatible with capitalism. Moreover, profit maximization means finding the least cost technique of production. In order to keep wages low employers therefore have to ensure that there is an abundant supply of labour. Unemployment serves as an indicator to them that labour is in excess supply and it also strengthens their bargaining power vis-a-vis workers. The existence of unemployment is therefore not only compatible with capitalism, but in fact serves the interests of the owners of capital.

In advanced capitalist countries, but also less advanced countries such as South Africa, the drive for maximum profits has caused investment to become increasingly more capital intensive. Technology is capital-intensive when it utilizes a great amount of capital per worker. This tends to increase the output per worker so that employers require fewer labourers to achieve the same level of output achieved before the investment was made. Capital-intensive technology therefore tends to be labour saving, i.e. it expels workers previously employed. A current example of this is the containerisation of the country's docks. It is expected that about 70% of cargo will eventually be containerised in South Africa as a result of which the stevedoring labour force will be reduced by 30%. (21) Thus capital intensive investment has the effect of reducing the number of workers employed thereby contributing to unemployment. The reinvestment of profits does, of course, subsequently result in the creation of additional jobs, but the rate of creating these new jobs may

not be fast enough or, as in the South African case, may result in full employment of a privileged fraction of workers only.

One of the reasons why capital-intensive technology is more profitable is because it reduces labour costs by decreasing the number of workers required and by keeping the wages of many of the remaining workers low by ensuring that they are in abundant supply. Another reason is that it reduces the turnover time of production of circulating capital which comprises the inputs required in production that are completely used up in the production of the final commodity. Raw materials, intermediate goods and labour-power are all examples of circulating capital. Turnover time is the time between purchasing circulating capital and selling the commodity embodying that circulating capital. Kay has demonstrated that the rate of profit rises as turnover time falls due to a fall in the amount of capital advanced and a rise in the rate of surplus value per unit time. (22) Generally capital-intensive technology speeds up the rate of production and the turnover time of circulating capital and hence the rate of profit. For instance, the reason why such intensive mechanisation of capitalist agriculture in South Africa has taken place is "because technological change provided better agricultural implements by means of which farmers could produce more, more efficiently and more rapidly". (23) Labour shortage has not been the prime factor behind mechanisation in agriculture since World War Two when there were 20 300 tractors in 1946 which had increased to 164 000 by 1973. In fact, the number of permanent farm workers had increased from 845 000 to 959 000 between 1947 and 1969 and, as we have seen above, there were about 401 000 underemployed Africans on White-owned farms in 1976.

In fact, the South African economy as a whole has experienced a rapid increase in real fixed capital stock since World War Two. Between 1946 and 1972 real fixed capital stock increased more than fourfold (by 325%) or at an average annual rate of 5,7%. (24) The growth in capital-intensity, i.e. the capital-labour ratio, has been somewhat lower because employment was

also growing during this time. For the economy as a whole the capital-labour ratio increased by 2,5% per year between 1951 and 1970. (25) In the manufacturing industries which had experienced a relatively fast growth of employment (3,8% per year) between 1946 and 1975, the capital-labour ratio grew at a rate of 1,8% per year over the same period. (26) This accumulation of capital was subject to cyclical variations with the highest rates of increase coinciding with high growth periods of the gross national product. (27)

This capital-intensive investment served to retard employment thereby contributing to underemployment. Thus between 1946 and 1970 the annual rate of growth of output was 5,2% while the annual employment growth rate was only 2,7%. The difference between these growth rates was due to an increase in labour productivity (output per labourer) which is usually due to technical progress. An estimation of the factors that have been responsible for the growth of the gross domestic product between 1957 and 1972 suggested that 60% of the increase was accounted for by technological change while only 21% of the growth was due to an increase in the labour force and the remaining 19% was the result of an increase in domestic and foreign owned capital stock. (28)

Why do South African capitalists invest in capital-intensive technology even when unskilled labour is available at relatively low wages compared to the advanced capitalist countries? Why does it not become more profitable to use labour-intensive technology? An important reason is that the overwhelming bulk of technology employed in South Africa is designed in the advanced capitalist countries such as the United States of America, Britain and Germany where labour is usually in short supply and relatively expensive. Investment is subsequently aimed at increasing labour's productivity. A survey amongst manufacturers in South Africa established that 71% of firms were using techniques embodying at least 90% foreign technology and only 10% were using less than 50% foreign technology. (29) This technology is the result of extensive Research and Development (R and D) and far from being

costless, enormous sums of money are spent on it. No less than 98% of the non-socialist countries R and D takes place in the advanced capitalist countries. (30) In the U.S.A., where 70% of the R and D takes place, the total expenditure on R and D in 1970 was £17 189 million, more than twice the size of the South African gross domestic product in that year. (31) For IBM alone total R and D expenditure was estimated to be 170 million dollars up to 1964. (32) As a result it is cheaper for South African firms to import the technology than to develop their own. It was found in a survey that 90% of manufacturers considered it to be cheaper to import foreign technology than to develop it locally. (33)

Another reason why capital-intensive investment is more profitable in South Africa is because of the tax structure that makes capital investment appear cheaper than it really is because of investment allowances. In ordinary areas of South Africa investors can deduct from their taxable profits an investment allowance of 30% of the cost of new or unused machinery or plants while in economic development areas the investment allowance ranges from 35% to 65% of the cost. These tax concessions have not always been quite so high, but even so they have acted as financial incentives for capitalists to invest more in capital and employ less labour because the price of capital is reduced relative to that of labour. This phenomenon is called factor price distortion because prices are distorted so as not to reflect accurately the relative shortage and abundance of resources available in the economy. It would however be a grave mistake to attribute all of unemployment and underemployment in the country to factor price distortions. This article should serve to make it clear that there are numerous structural forces at work generating underemployment that no amount of price adjustments will be able to eliminate.

But these are not the only reasons for an increase in the capital-intensity of South African technology. There is evidence to show that a correlation exists between rising wage rates and an increase in capital-intensity in the manufacturing sector. A careful statistical analysis by Trevor Bell of this sector

established a highly significant correlation (at the 1 per cent level) between the rate of change of the capital-labour ratio and changes in real earnings per worker. (34) It is highly likely that the rise in capital-intensity was due to increases in real earnings per worker, but the exact relationship between these changes have, as yet, not been explained completely. On the one hand, Trevor Bell established that "if anything, the rate of change of the capital-labour ratio was more closely related to changes of the average earnings of Black workers rather than White". (34) On the other hand, Douglas Hindson found that, for the period 1916 to 1955, capital-labour ratios in the mining and secondary industries revealed a negative relationship between wage rates of African, Coloured and Asian workers, taken together, and a weak positive relationship between wage rates of White workers and capital-labour ratios. He also found that, between 1946 and 1955 when the ratio of capital in the manufacturing industry to labour rose by an average of 3,7% per annum and the economy was growing very fast, wage rates of African workers actually fell by an average of 0,2% while wages of Whites rose 2,7% per annum. Over a subsequent period from 1956 to 1972 the evidence is not so unambiguous, but the statistical evidence on the whole was still enough to conclude that "capital-labour ratios have not been associated with increases in the wage rates of unskilled workers. Indeed, there appears to be a closer positive relationship between wages of skilled workers and capital-labour ratios." (35)

Can these apparently contradictory results be reconciled? It is possible that they may both be correct, but maybe for different reasons. Nattrass and Brown found evidence in their survey that some manufacturers were short of White workers while other were short of African workers: in order to overcome vacancies 23% of manufacturers said that they were mechanising jobs previously held by Whites and 30% stated that they were mechanising African held jobs (36). The shortage of African workers is hard to explain unless the vacancies were for occupations requiring some level of skill. Alternatively, the correlation established between African wages and capital-labour ratios could have different explanations. Rising African real wages

could have induced the introduction of more capital per labourer, but the difficulty here lies in explaining why African wages rose in the first place. On the other hand, more capital-intensive investment usually moves Africans up the occupational ladder from unskilled to semi-skilled occupations with higher minimum wages attached to the semi-skilled than the unskilled jobs.

The shortage and subsequent increases of white workers' wages appear easier to explain. They were most probably the result of the Industrial Colour Bar which merits careful consideration.

(3) THE INDUSTRIAL COLOUR BAR

Thus far it has been established that the capital-intensive nature of capitalist development retards the growth of employment thereby contributing to unemployment. The Industrial Colour Bar slows down the growth rate even further and also gives a particular twist to unemployment in South Africa so that it manifests itself mainly amongst Africans, but also amongst Coloureds and Indians.

How does it work? The Industrial Colour Bar comprises all the legal institutional, social, political and economic practices that retard or block the occupational advancement of Blacks, particularly Africans, in the economy. It not only keeps Africans, Coloureds and Indians out of more skilled occupations, but also reduces their employment in less skilled and unskilled occupations. By virtue of the Industrial Colour Bar Whites have been able to retain a near monopoly on skilled jobs, particularly those for artisans, over the past 50 years or more. Consequently, one of the ceilings put on the growth rate of the economy has been the growth of skilled White labour. Because of relatively fixed ratios between the number of skilled and unskilled workers in any industry, the growth of demand for unskilled and semi-skilled African workers has been limited by the growth rate of the predominantly White skilled labour force. On the other hand the rate of increase in supply of African workers has been higher than the rate of increase of White skilled labour. Consequently there has been a steady increase in the

number of underemployed Africans.

Central to this argument is the contention that, in any industry, relatively fixed ratios between the proportion of skilled and unskilled workers exist over time. What evidence is there to support this? Firstly, it is quite reliable to assume that the proportion of Whites in the labour force serve as a very good index of the proportion of skilled workers. (37) Secondly, there certainly exists a strong desire on the part of capitalists to substitute cheap Black semi-skilled workers or operatives for expensive White skilled labourers or artisans and they have succeeded in doing so to some extent. This has been well-demonstrated by Nattrass and Brown in the case of the manufacturing sector where, over the 15 year period 1960-75, the White wage bill grew at 6% per year and the Black wage bill at 8,3% per year. Nevertheless, the average wage per labourer grew at only 2% per year over the same period "suggesting that the cheaper Black labour has been increasingly substituted for White labour at the margin as wage rates of both groups have increased." (38) However, White workers and trade unions have fought quite effectively by various means, such as closed shop agreements, job reservation, and so on, to keep the rate of substitution fairly low. Depending on the strength of their unions and bargaining power, White workers have been more successful in some sectors than in others. In construction, which experienced a tremendous boom in the sixties, the ratio of Blacks (African, Coloured and Indian) to Whites increased from 2,7:1 in 1950 to 4,9:1 in 1970, an average annual compound growth rate of the ratio of 3% per year. (39) In the manufacturing sector, the largest non-agricultural employment sector in the economy, the ratio of Blacks to Whites increased from 2,75:1 in 1960 to 3,6:1 in 1976, an average annual increase of the ratio of 1,7%, considerably lower than in construction. Those subsectors in which there has been least substitution of Blacks for Whites, namely Printing, Machinery and Metal Products, are all ones in which strong White trade unions operate. (40) In the mining sector, the ratio of Blacks to Whites has remained remarkably steady. The average ratio of

Blacks to Whites between the 5 year periods 1910-14 and 1965-69 had risen from 7,9:1 to 8,8:1, an increase of the ratio of only 0,2% per year. In other words, the ratio had remained almost static over the 59 year period even though it did fluctuate within this period, particularly around the time of the Rand Rebellion in 1922. (41) Thus, although substitution of Whites by Blacks has been taking place, there is evidence that this process has been stemmed to a varying extent by Whites depending upon their bargaining power.

Further evidence in support of the argument that the Industrial Colour Bar has worsened and shifted under-employment onto Blacks is that between 1951 and 1960 the number of economically active Africans increased on average by 2,7% per annum while the number of economically active Whites increased by only 1,7%. Between 1960 and 1970 the African and White labour forces increased on average by 4,5% and 3,1% per annum respectively. (42) While this period was characterised by a large and growing African underemployment the economy almost continually experienced a shortage of skilled labour. What is more, the major way of relieving this shortage was by means of White immigration. From 1946 to 1948 a net immigration of about 60 000 Whites took place while an average net inflow of about 30 000 White migrants into South Africa occurred annually from 1965 to 1972. This net flow during the 1960's and 1970's supplemented the increase of the White labour force by about 30% to 40% thereby alleviating the severe shortage of skilled labour.

(44)

Additional evidence that the Industrial Colour Bar in fact acts as a bottleneck on the growth of employment and that it operates by excluding Blacks from skilled jobs is provided by the fact in that Sept. 1977, 3½ years after the commencement of the recession, 41% of the firms surveyed by the Stellenbosch Bureau for Economic Research reported skilled labour bottlenecks. Mr. Errol Drummond, director of the Steel and Engineering Industries Federation of South Africa, Seifsa, stated that "bottlenecks are being created. We have lost about 500 skilled immigrants in the last 5 months... And in certain highly skilled sectors we have experienced an annual shortfall of 7% over the past

five years." (45) The essential point to note here is that Africans and other Blacks are not employed to fill the vacancies for skilled labour where they exist. This could be either because they are prevented from filling these posts or because they are not suitably qualified, both of which reasons are manifestations of the Industrial Colour Bar.

These facts show that the argument that underemployment is due to the high population growth rates of Africans and other Blacks is misplaced. A principle constraint on the growth of employment has been the lack of skilled workers and not a shortage of savings or foreign exchange problems. (46) Blacks are specifically hampered from acquiring the requisite skills and from occupying skilled occupations. These controls and limitations placed on them are therefore responsible for generating underemployment and not the fact that the Black population growth rates are higher than White population growth rates.

How does the industrial colour bar operate? It does so by means of a wide range of practices. The most obvious way is by means of legislation that directly forbids the employment of certain race groups in specific jobs. The oldest statutory colour bar exists in mining. The Mines and Works Act of 1911 effectively limited more skilled jobs for Whites in the Transvaal and OFS by requiring certificates of competence for certain tasks and issuing these certificates to Whites only. The 1926 amendment to the Act openly prohibited Africans from specified occupations and this remains the basis of the mining colour bar up to the present time. (47) From time to time the White mine-workers make some concessions by allowing certain tasks performed previously by Whites to be done by Africans. In exchange for these concessions White mine-workers are offered high financial incentives, (48) but these concessions have by no means destroyed the mining colour bar.

The Bantu Building Workers Act of 1951 as subsequently amended is another example of legislation that directly curtails the employment of Africans in skilled occupations in the building industry in urban areas other

than African residential areas. Some minor concessions have been made which opened avenues for Africans to do skilled jobs in renovations and maintenance work, but the Act still applies on the major construction sites. (49)

Probably the best known statutory colour bar is the reservation of jobs in terms of section 77 of the Industrial Conciliation Act. All together 28 jobs reservation investigations and determinations had been made between 1956 and 1975. Of these 24 were in force at the end of 1975 potentially affecting 2,3% of the total labour force. (50) By the end of 1977 all but 5 of the determinations had been cancelled by the Industrial Tribunal. (51) Taken at their face value, these facts may make the reader wonder what all the fuss is about job reservations. Before jumping to conclusion it needs to be borne in mind that, although only a small proportion of the total labour force was, and still is, affected by these job reservations, they do act as barriers in some cases and serve to keep Blacks out of occupations higher up the occupational scale. A fence takes up very little area of land, but it nonetheless has the effect of preventing the stock from grazing on green pastures on the other side of the fence! Another point to bear in mind is that the majority of cancellations affected African workers minimally, as widespread exemptions allowing Africans into prescribed positions had already been granted in many industries. The Minister of Labour also said that, before cancelling the determinations, he had gained the consent of most of the trade unions concerned. It is significant that the mining and building industries, both industries which have retained their job reservation determinations, have strong conservative trade unions, and, in the former industry, concerted opposition to the cancellation or suspension of its determination was voiced. (52) This once again demonstrates how White unions manage to retain a monopoly on the skilled occupations.

A very important and yet rather hidden statutory colour bar that could have been in operation since the passage of the Industrial Conciliation Act of 1924 is the one practised by employers' associations and registered

trade unions on Industrial Councils. In 1974 there were 185 industrial council agreements (not all main agreements) in force covering just over 1 million workers more than half of which were Africans. (53) At regular intervals employers and registered trade unions negotiate new wage agreements that are invariably extended to cover Africans who are only indirectly represented at the negotiations. The colour bar operates in two ways: closed shop agreements whereby only members of the registered unions are allowed to do the more skilled jobs, and ratio clauses which limits the number of unskilled workers per skilled worker that may be employed. Although more research is required to determine what the exact nature and extent of these restrictions are, more than a third of the amended or concluded agreements in 1976 and 1977 of the approximately 102 industrial councils in existence had closed shop or ratio clauses or both. All the major industries contained these clauses. (54) Once these agreements are published in the Government Gazette they have statutory power and infringement of the agreement becomes a criminal offence. There can thus be little doubt of the importance of this form of 'job reservation'.

In the building industry the 1975/76 Agreement went even further than closed shop and ratio clauses. Although many artisan jobs were 'diluted' into operative grades, all White artisans working in the industry at the time were guaranteed preferential employment for 20 years in the industry. This was to be controlled by means of permits issued by the industrial council allowing grade 1 African operatives to be employed in the industry. (55)

Wage negotiations early in 1978 in the steel and engineering industrial council highlight important features of the industrial colour bar. At the time of writing (March 1978) jobs in the A and AA categories (mainly artisans) are totally barred to Africans. They are allowed "controlled access" to jobs in the (semi-skilled) AB to D categories only with the consent so of the registered unions. Employers in this industry, Seifsa, now want full access to African labour in all work categories because the industry has "chronic and

acute labour supply problems". That this occurs in the midst of a serious recession is once again proof of the effectiveness of the registered trade union monopoly on the skilled labour supply. The response to the employers on the part of the unions is to fall back on the wage colour bar. They are demanding rises in the minimum rates ranging from 15% to 46% with the large increases occurring in the higher categories (A and AA). This is because there currently exists a big difference between the industrial council determined minimum and the actual pay. In job category A the going rate is about R3,50 an hour against the existing minimum of R2,18. The unions' proposals are an attempt to bring the minima in line with the going rates thereby preventing their members from being replaced with "cheap, unorganised labour". (56) On the other hand employers stand to gain economically if Africans are to be employed in the higher categories (A and AA) at or near the existing minimum rates. The employers' drive for higher profits and registered unions' goal of preserving their high wages are thus likely to result in either a wage colour bar or occupational colour bar.

The Industrial Colour Bar is not only enforced by means of legal and institutional practices. Social and socio-political forces also operate to keep Blacks out of more skilled jobs and job advancement. In a study in Durban it was found that employers considered factors such as resistance of White employees or customers or trade union practices were discouraging Black occupational advancement in firms. These reasons demonstrate that the existing racist attitudes amongst Whites are carried into the practices of employers. Many of the restrictions mentioned were assumed to exist and employers could not give any specific details. Even when government legislation and job reservation were advanced as reasons they were vague and could not be substantiated in 75% of the cases. (57)

It is not only in employment in skilled occupations that Blacks are restricted, but also in the attainment of these skills. The Apprenticeship Act of 1922 has played an important role in restricting the opportunity of Blacks to become artisans by laying down

that Standard 6 is a minimum educational requirement to be apprenticed in most trades. (58) Given that compulsory education existed for Whites only, is presently being enforced for Coloureds and still does not exist for Africans, this Act operated as another barrier for skill attainment by Blacks. Thus, for the period from 1931 to 1936, of 9 121 apprenticeship indentures registered throughout South Africa only 134 were for Coloured youth. (59) Even as late as 1976 there were 9 368 Whites and 1 385 Coloureds registered as apprentices while there was a "glaring shortage of African apprentices throughout industry and in state departments". (60) The steel and engineering industries apparently did not have a single African apprentice in 1976. (61)

There is also a reluctance on the part of White trade unions to allow Blacks to train as apprentices. This reluctance has effectively been put into practice. The bar to Blacks was general in the Transvaal and Orange Free State and also applied to many trades in the Cape Province and Natal including the increasingly important metal and engineering trades. It has been the policy of the Motor Industry Employees' Union of South Africa which represents Whites, not to train Black apprentices. (62) It also applied almost without exception to apprenticeship in state-controlled concerns such as the railway workshops until 1973. (63)

In recent years, commencing from about 1971, barriers to apprenticeship of Coloured and Asians have been lifted and training opportunities for all Blacks have been made available. In 1973 the barrier for Coloured and Indian youths to become apprenticed in state-controlled concerns was lifted in the Western Cape and Natal and in the following year the government itself established a training school for Coloured motor mechanics because of the White trade union's ban on the training of Coloured apprentices by White artisans. The Post Office and Railways have also started training and employing Coloureds, Indians and Africans to do work previously done by White workers. (64) In 1973 the government commenced with the establishment of pre-service and in-service industrial training centres in urban African residential areas.

By 1977 eight pre-service industrial centres were in operation training more than 7 000 pupils basic manual skills in woodwork, metalwork, welding and other trades. Eight in-service training centres had also come into existence and had trained 1 662 workers by early 1977. In addition twenty registered private ad hoc border industry and 5 ad hoc State industrial schools for the training of factory operators were in operation. (65)

This change in policy on the part of the state towards the training of Blacks indicates that the state does not simply represent Whites' interests, but also capitalists' interests and that their interests can override White workers' interests. Thus the State provides the training facilities required for Black workers in order to help employers overcome the White skilled labour shortage by substituting machinery and semi-skilled Black labourers for White artisans. Clearly White workers' interests are also represented by the state. Otherwise the legislation supporting the colour bar would not exist.

The gross inequality in educational expenditure between the different race groups in the country also limits the opportunity Blacks have to acquire occupational skills. During 1975 - 76 the per capita expenditure on school pupils in the various race groups was as follows: Whites R644, Coloureds R140, Indians R190, and Africans R42. (66) Thus 15 times more money is spent on the education of a White pupil than on an African pupil. This restricts the Africans' opportunity of acquiring more skilled jobs in general, but as we have shown earlier, Africans with a higher school qualification (Matric) tend to have the highest unemployment rates. This does not invalidate the argument that the lack of educational opportunity constitutes another barrier to African employment. To the contrary, it shows that, in addition to the lack of education, there exists an employment barrier for African with a higher secondary education because they tend to come directly into competition for jobs with Whites.

(4) INDUSTRIAL DECENTRALISATION

The final structural factor that has contributed to unemployment is the government's industrial decentralisation policy. It is a more recent contributing factor than the other ones since it only started taking effect after the passage of the Physical Planning and Utilization of Resources Act of 1967 (now called the Environmental Planning Act). The most significant provision of the Act was that it enables the government to prohibit the establishment or extension of any factory in any area proclaimed a controlled area in terms. An extension of a factory is defined in the act as "any increase in the number of Bantu employees in such factory". (67) The purpose of the Act was primarily to reduce the rate of flow of Africans into certain of the country's larger cities, but the consequence of the Act has in fact been to reduce the employment opportunities for Africans.

The industrial decentralisation policy contains both a carrot and stick. The carrot consists of positive inducements first introduced by the government in 1960 with subsequent changes in later years. These inducements include interest free loans, income tax holidays of up to five years and cheap labour exempted from all minimum wage determinations. (68) In spite of these financial incentives and the prohibitive powers of the government, the decentralisation policy has created very little additional employment in the border areas and 'homelands'. As Trevor Bell has pointed out, it appears that the maximum increase in manufacturing employment attributable to government intervention in the 10½ year period from mid-1960 to the end of 1970 was 23 000, or 2 200 additional jobs each year, in the decentralised areas. On the other hand, in the two year period, 1968-9, the number of jobs lost to Africans in the manufacturing industries in controlled (urban) areas was 26 700 because of refusals on the part of the government to grant permission under the Environmental Planning Act. (69) Additional calculations that have been made by Gottschalk suggest that, in the first five years of implementation of the Act, the government blocked 9 jobs for every one job created under industrial decentralisation. (70)

On the Rand the clothing industry was being particularly hard hit by the Act although the Department of Planning has, since early this year, waived the provisions of the Act in Transvaal for the employment of Africans between the ages of 16 and 20 in all industries. (71)

CONCLUSION

Unemployment and underemployment are serious and increasing problems facing the South African economy and causing immense hardships to the unemployed who are mainly Africans. On average there could at present be an increase of African unemployment of the order of 470 per day as new entrants join the labour force and workers are laid off.

It would be a serious mistake to attribute the enormous level of underemployment and high rate of increase of unemployment to the current economic recession in the belief that it will disappear if and when an economic boom takes place. If the number of underemployed is to be kept constant (not even to speak of being reduced) with our present economic structure the economy needs to grow at 6,7% per annum, a rate which the South African economy cannot hope to achieve for a sustained period of time. (72) It would thus be wrong to pin any hope on economic growth alone without removing the underlying structural causes of underemployment pointed out in this article. South Africa appears to be on the wrong path of economic development and nothing less than basic structural changes in our system are going to create full utilisation of the country's human potential.

FOOTNOTES

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2. Simkins, op.cit., pp.7,19,33,39 and Tables 20,21.
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6. This is pointed out by Simkins, op.cit. p.5.
7. See *Financial Mail*, 10 Feb. 1978, p. 386.
8. C. Simkins, "Measuring and Predicting Unemployment in South Africa 1960-1977", *Workshop on Unemployment and Labour Reallocation*, Development Studies Research Group, Dept. of Economics, University of Natal, Pmb. March, 1977. Table 35.

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AN ESSAY ON STRUCTURAL
UNEMPLOYMENT IN SOUTH AFRICA (1)

by Alec Erwin

INTRODUCTION

Large numbers of unemployed people have usually been a spectre to prod the complacent into action. Unemployment has become a "problem" that has received more and more attention and even official governmental acknowledgement. So far the responses have broadly taken one or both of two forms. Firstly to try and gather the "facts" on unemployment - a long delayed and therefore difficult task. Secondly to look for ways of alleviating the hardships of unemployment at an individual or community level - an obvious and necessary task.

However, in the absence of a clearer understanding of unemployment in South Africa both these responses are likely to be incomplete. 'Facts' cannot of themselves explain socio-economic phenomena. Facts have to be found and no search is without a built-in selectivity, furthermore the facts have to be related to each other in ways not immediately obvious from the 'facts' themselves.

The concern of this paper is, therefore to attempt an initial theoretical framework for explaining unemployment in the South African economy. In short the paper's contention is that unemployment in South Africa is a structural rather than cyclical phenomenon that has to be located in a wider context of the pattern of employment creation and its perpetuation in the economy.

THEORIES OF EMPLOYMENT CREATION

Most analysis of unemployment in South Africa explicitly or implicitly accepts a particular but pervasive theory of employment creation.

In this analysis unemployment is related to wage employment. In an advanced economy where wage employment is

dominant and for most purposes the almost exclusive form of employment then unemployment can be defined by the lack of wage employment. The actual content of the job in terms of productive activity carried out is not really germane to the problem since the emphasis is on the market and the fact that a wage is paid indicates that market forces 'sanction' the occupation.

Likewise, the self-employed petty commodity producer was viewed as employed since market forces 'sanction' the occupation by virtue of the sale of the commodity. The fact that housewives services are not reflected in market transactions means that they remain outside problems of employment, unemployment and income accounting.

It could be argued that a central thrust of Keynesian theory was to define the macro conditions that led to unemployment in order to subject them to conscious policy actions that would eliminate such unemployment. The crucial link was the functional relationship between investment and the level of employment. Monetary and fiscal policy could be used to influence this link in such a way as to overcome less than full employment equilibria in the economy. The level of investment was therefore central to maintaining full employment. Subsequently theorists have questioned and debated problems of stability, policy efficacy, policy mix etc., but the formal link between investment and employment has not been subjected to serious question within the theory.

As Arthur Lewis (2) was one of the first to point out some fairly immediate problems posed themselves when it came to applying this reasoning to developing countries. In these situations wage employment was neither exclusive or even dominant. In addition there appeared to be a proliferation of jobs that provided petty services to those who could afford them. In agriculture productivity appeared to be so low as to suggest close to zero marginal productivity for some labour. Unemployment could not really be an adequate description of such categories of labour. Under-employment appeared more adequate but remained

problematic since it was difficult to define a yardstick against which underemployment was being measured. The implicit yardstick, in the absence of a theory of productive and unproductive labour, had to remain the type of employment offered in an advanced economy.

It was also fairly clear that conventional Keynesian tools of demand management could not be readily applied because of the lack of an adequate institutional infrastructure. The employment problem had, therefore, remained fairly firmly within a conception of investment management to create such employment.

One consequence of this was to focus attention on the creation of those financial institutions that, in the developed economies, were seen as facilitating the management of the economy (eg. banks, central banks, savings institutions, discounting facilities etc.) Such institutions were also seen as the means to improving the utilisation of the foreign aid flowing into developing countries.

However, by the late sixties the problems of underemployment in the 'Third World' seemed just as intractable, if not worse than before. In particular the urban based manifestation of the problem seemed to be serious. Small-scale, petty commodity activities, both 'legal' and 'illegal' appeared to have proliferated. The I.L.O. reports on Kenya and Columbia elevated these activities to theoretical respectability in the guise of the 'informal sector'. It was argued that more attention should be paid to this area. As Leys (3) summarised this position.

"Labour-intensive, competitive, using locally produced inputs, developing its own skills and technology, locally owned and controlled, the informal sector was in the mission's view the model of the kind of economy Kenya needed; but instead of being encouraged to the maximum it was restricted and harassed so that it too failed to furnish adequate incomes to those who were engaged in it."

In essence this approach was calling into question the implicit yardstick of productive employment provided by the employment structure of advanced economies. What was replacing it was some kind of 'Third Worldism'.

This new emphasis did have definite positive effects. It focussed attention on what exactly was being measured by national accounts in the Third World and made respectable more pragmatic approaches to providing social services, housing (eg. site and service schemes) and assistance to small-scale business and farming.

Essentially what such analysis was arguing was that in the link between investment and employment in the Third World there were numerous interfering factors that reduced the employment creating effect of investment and/or reduced the amount of investment that could create employment. The capital intensity of investment arising from inappropriate technology and factor prices, bureaucratic inefficiency and corruption, cultural factors, conspicuous consumption (rather than investment) and irresponsible monetary and fiscal policy were some of the more important of these interfering factors.

The *description* of those factors was and is undoubtedly largely correct. However, in *explaining* these factors there is surely a prior question and this is whether investment in the concrete situation we are examining could have taken place *without* these accompanying factors? It appears to be that the implicit (and sometimes explicit) answer to this question by the analysis examined thusfar is yes. It follows therefore, that these factors are basically extraneous to a positive link between investment and employment and furthermore correct policy should eliminate them once the factors are identified.

However, it is this that requires far more careful scrutiny if we are to understand unemployment. No one would disagree that investment is linked to employment. In a sense it is almost tautologous in that without any significant exception any labour

activity combines men and tools, machines, buildings etc.. So the number of people labouring is related to the level of accumulation of tools, machines, buildings etc.. Investment, understood as an accumulation of these latter, is therefore also related to employment. This, however, tells us nothing about the nature of the labour carried out, nor about the relationship between those that labour, nor about the specific factors that govern the process of accumulation. Such accumulation must have concrete social implications since it is not machines that give rise to new machines but men directing and controlling machines that does so.

From this starting point it becomes crucial to distinguish between the abstract formal link between investment and employment creation and the content of that link in the concrete situation. The content of the link will always be the manifestation of a concrete configuration of socio-economic factors specific to a particular historical or contemporary situation.

The implication of this is that analysis must attempt to explore and specify the possible links between factors such as foreign investment, technology, capital intensity, misdirected resources and economic and political power. To the extent that they are found to be related and supportive of each other one can speak of a structure of causally related factors. Then to the extent that unemployment can be analytically related to these factors one can speak of unemployment as a structural problem.

What follows is an initial attempt to sketch an analytical framework of relationships between factors that are important to an understanding of employment and unemployment in this economy. The task is a difficult but necessary one since if unemployment is a structural problem then the important implication of this is that our socio-economic structure will not easily generate or accommodate policies that attempt to seriously deal with the problem. This is not a position of despair since analysis and understanding inevitably lead to change if they correctly reflect

the problem. However the concern of this paper is not with policy options but the nature of the structural problem. This requires a brief and obviously incomplete sketch of the development of the structure that the paper attempts to identify.

DEVELOPMENT OF THE SOUTH AFRICAN ECONOMY

What is required is an understanding of the specific process of the accumulation of the capital stock in South Africa and the specific process of disintegration and transformation of non-wage employment in the indigenous economies to wage forms of employment - in short the process of proletarianisation.

The term proletariat is the most convenient for our purposes. It implies a work-force that is entirely (with relatively insignificant exceptions) dependent on wage labour for its subsistence and reproduction. The labourer and his family would be dependent on wage income. In the economy the commodity equivalent of the wage bill and the capital goods for investment would be produced within the economy by a wage earning labour force. The economy is an articulated system based on wage employment and the reinvestment of profits.

This schematic outline of an ideal type advanced capitalist economy takes one to the nub of the process of proletarianisation in South Africa. The development of the South African economy has not relied on a proletariat as defined here. Production of wage-goods by wage labour emerged and is emerging in a very complex way and the capital goods sector is underdeveloped.

Initial significant capital investment in South Africa produced commodities for export and, certainly in the case of gold, profits for export. To do this required a labour force and contrary to popular perception you don't get workers just as soon as a wage is offered. That labour supply had to be created either directly through hut taxes, land appropriation, vagrancy laws, suppression of peasant production and overt coercion or more obliquely by the generalised instability that colonisation generated in the sub-continent.

Capitalist investment did not create a proletariat as defined above although there was wage labour. Neither was foreign capital invested in wage good sectors. If anything the capital came from economies where manufactured good exporters dominated and would have been antagonistic to manufacturing in economies such as South Africa.

Capitalist production, therefore, generated wage employment along with a structure that effectively checked generalised increases in production in the African pre-capitalist economy and led to that economy's long-run decline in productive capacity. The possibility of a general rise in production in the pre-capitalist economy (or even its transformation to capitalist agriculture) would have had unacceptable consequences. Rising rural incomes would have led to rising wage rates in the capitalist sector to attract labour. In addition rising production would have threatened white agriculture and also probably have been accompanied by land concentration and migration off the land (as was the case in white agriculture). This latter factor would have raised the indirect labour costs to the capitalist sector in the form of greater expenditure on social and economic infrastructure for a larger urban population.

Over time the diminished land area, rising population and minimal infrastructural expenditures then led to the economic and social disintegration of the pre-capitalist economy.

These factors generated a migrant labour system (reinforced by legislation and compound systems) that maintained the bulk of the wage labourer's family on the land (where there was land left). What this meant was that the reproduction of the wage labour force did not depend on production in the capitalist sector alone, but was in part borne by the distorted pre-capitalist rural economy.

Such a structure meant that wage labour, was not synonymous with 'free labour' in the sense that labour had been separated from the means of production. The indigenous economic system remained, therefore,

pre-capitalist in the sense that the ownership of the means of production and the relationship between producer and non-producer could not be defined as capitalist relations of production. However, it was quite obviously bound to the capitalist production sector through the sale of labour, the purchase of commodities and the political authority exerted by the capitalist sector. Proletarianisation was, therefore, incomplete.

Yet wage employment was to expand relatively rapidly, particularly after the Pact Government of 1924 and the subsequent encouragement of the local manufacture of consumer goods.

The incomplete proletarianisation and the expanding wage employment in capitalist production raise the question as to whether the expansion of wage employment was also leading to complete proletarianisation? The contention of this paper is that in fact complete proletarianisation did not occur. Rather a more complex structure of wage employment emerged and the access of labour to that employment differed markedly. In short proletarianisation remains incomplete and the employment structure is characterised by a high proportion of low productivity, precarious occupations. (the 'informal sector').

This argument requires closer attention to the particular features of the development of the capitalist production sector, in particular industrial development.

INDUSTRIAL DEVELOPMENT

The development of industry in South Africa has to be seen in an international context. The advent of tariff protection and encouragement of local production were to the advantage of local producers but that does not mean that this thereby decreased the links between the South African and the advanced economies.

It was consumer goods that were in the main protected at a time where the structure of production was changing in the centre. The producers of capital goods

were not threatened by tariff protection since the manufacture of consumer goods in the periphery extended their market. Larger local markets also made it feasible to locate elements of their productive activities to the periphery. These factors created the pre-conditions for new and more complex links between this economy and the advanced economies.

What are the implications of this? Firstly, the importation of capital goods and certain raw materials is still of considerable importance to South Africa. The implications of this are important. The periphery will always find it exceedingly difficult to compete with the centre in the production of certain capital goods. As a result a part of the investable surplus generated here will be invested in imported capital goods and, thereby reduce the employment creating capacity of investment.

Secondly the imported capital equipment embodies advanced technology from the centre. The use of such technology is in general the most efficient way of producing commodities and will therefore be put to use here. With technological improvement a given investment in equipment will employ less and less workers. The absolute amount of investment would, therefore, have to rise at an increasing rate to maintain the same rate of growth of employment. Thirdly, the significance of the two points above lies in the context of which they occur and this is the increasing centralisation and monopolisation of the production process. Larger and larger companies dominate the production process and in doing so they transform production, marketing and finance. Techniques of production are evolved through the harnessing of science to industry, that can only be used by very large enterprises, with large resources and markets. This monopoly sector dominates international trade and finance. As a result the most comprehensive linkages between this economy and the advanced economies is established between the large corporations in South Africa, both local and foreign and the large corporations in the centre.

These links also represent a considerable financial link in the form of direct and indirect investment and

the consequent servicing of this debt which is a further drain on investable surplus. (see appendix) It is, however, important to realise that this drain is not at this point avoidable. This reinforces the structural dimensions of the problem since serious attempts to curtail such financial links are likely to incur higher costs to the economy than benefits.

The other dimensions to these financial links are that the contacts and expertise that they require mean a reliance on the larger international banks.

In short I am arguing that the direct links between us and the advanced economies are predominantly within what might be termed the monopoly bloc. This monopoly bloc defines a configuration of factors related to economic size. These are techniques of production, types of product, marketing practices and financial practices which together influence overall production in the economy.

As a result of these factors three interrelated points affecting employment creation emerge. (a) A sector of capital good production will remain in the centre in the present foreseeable circumstances. (b) Existing techniques of production and the products produced are in general defined by the large corporations of the centre (c) Foreign financial inflows are important and the servicing of that debt a significant outflow of investable funds. Each of these factors reduces employment creation unless outweighed by larger absolute levels of investments i.e. we've got to keep running faster in order to stay running.

The existence of what has been defined as the monopoly bloc is important for the rest of the industrial sector. Relatively smaller enterprises cannot effectively avail themselves of the resources that the monopoly sector can. It is, therefore, difficult for them to compete with that sector so that their expansion as a sector is constrained by the monopoly sector. Their competitive position viz-a-viz large corporations is affected by the productivity differential and the marketing position.

This divide between what we might call the monopoly and competitive blocs in the economy is significant at a number of levels that we do not have time to explore here. Obviously, however, it is likely to be significant in viewpoints on international pressure, labour control, industrial relations and as a result more general political perceptions. (4)

Here, however, the significance of the divide is that it is part of a particular structure of accumulation in South Africa. South Africa has industrialised during a particular stage of development of the world capitalist economy. In brief the main resulting and inter related features of accumulation are the dominance of the monopoly sector links to the world economy through technology, trade and finance. These links facilitate increases in output in this economy without having the same impact on employment due to the capital intensity of investment (both due to technology and product choice) and the 'employment loss' of repatriated profits and expenditure on capital goods.

What is of crucial importance is that we could not and probably would not want to change this structure. An easier option is to try and increase foreign involvement. This would of course outweigh the negative factors outlined above but in the contradictory fashion of increasing the absolute significance of the factors that have to be outweighed.

ON THE MARGINS OF INDUSTRY

The full significance of these factors come from their inter-relationship with another configuration of factors that relate to the rural economy. As outlined above the distinguishing feature of early industrialisation lay in its dependence on the pre-capitalist economy to bear part of the burden of the reproduction of the labour force.

However, the restriction on the land area of Africans, the stemming of permanent urban migration, the rising population and the restrictions on accumulation in African agriculture meant a long run general decline in the productive capacity of the reserves relative to their rising needs. Furthermore the development of a productive capitalist agricultural system in white areas effectively competed and will continue to compete with agricultural production in the reserves thus restraining its expansion. Furthermore, even to the extent that

production in the reserves were successful it would disturb the delicate fabric of agricultural price support we have and hence run foul of important and powerful existing interests.

In short, therefore, we have a situation where the previous pre-capitalist economic form has disintegrated and no longer makes an adequate contribution to the reproduction of labour. This implies that rising real wages in parts of the capitalist sector have offset this in part but as argued earlier the more pervasive effect has been a secular decline of living standards of African peoples, affecting some far more seriously than others.

The so-called reserves have therefore been areas where income generation (in the broad sense of money and products) and therefore employment have been declining relatively if not absolutely. To maintain the employment 'balance', therefore, would require that other sectors expand at a rate that would absorb this decline and allow for the rising population.

It is now time, however, to start tying the web together, or at least the major threads thereof. It has been argued above that structural forces are at work that limit the rate of employment increase in the other sectors. In short these were the "employment loss" due to repatriated profit and imported capital equipment the dominance of the 'monopoly bloc' and its propensity to increase output more rapidly than employment and the restraining effect this would have on the less productive 'competitive sectors' of the economy.

From the employment point of view these are negative structural forces and within the present structure they are likely to be offset only by more of the same. This increases the absolute size of the negative factors and is further likely to exacerbate the competition between the monopoly and competitive sectors. This is particularly significant for enterprises in the so-called homelands which are more likely to fall within the competitive sector. Their expansion will be in fact restricted by the growth of the monopoly sector just at that stage where the structure perceives a need for their rapid expansion.

There are two important phenomena that have derived from this complex and differential structure of employment creation. The first is that historically the State has acted to serve particular interests in the capitalist bloc whilst at the same time trying to reconcile conflicts as far as possible. Pervasive labour and population control has been the major way of achieving this. The free movement of labour would have been detrimental to the mines, agriculture and small-scale labour-intensive business given the existence of the more productive monopoly bloc in manufacturing capable and at times willing to pay higher wages. (5)

Free labour would also have threatened the privileged position fought for and gained by white labour from capital. The latter saw such concessions as in their wider interests in an earlier period.

Furthermore a settled urban population engaging higher wages and being more firmly entrenched in skilled positions was a politically uncertain option in that it could have greatly facilitated the political and labour organisations of the disorganised majority.

Secondly, the secular imbalance between productive employment and the need for it generated by the forces outlined above has led to the proliferation of small-scale activities aimed at keeping people alive - the 'informal sector' discussed in the introduction. It is clear that this sector has no independent existence since it is generated and its size dictated by the structure in which it is created. It is the inseparable and inescapable margin of capitalist accumulation in South Africa. (6)

This marginal pole of the economy is not homogeneous and has within it a complex of activities shaped by different specific forces and with differing prospects of survival. The activities are defined as marginal either by virtue of legality (eg. unlicensed traders or by criminal conventions eg. theft, prostitution) or the type of product they sell or by the fact that they are necessary but inadequate supplements to wage income (eg. agriculture production in reserves)

These activities are precarious both being threatened by the small trader through licensing laws and by large scale cheaper production eg. supermarkets, mechanised agriculture. Many of the activities of the marginal pole are designed to meet the needs of the 'poor market'. This along with the competitive nature of the market means that the capacity for accumulation is limited. This is often reinforced, but not created, by legal restrictions of the activities.

Furthermore, contrary to the position taken by the I.L.O. reports these activities are linked to the industrial sector in a number of further ways. The latter is the major supplier of commodities to the marginal pole. This can be in the form of commodities purchased there and then redistributed, or in the form of commodities purchased and then altered to serve different needs. Or in the form of what Obregon (7) calls residual resources - those commodities discarded by the production and marketing needs of the advanced bloc. Furthermore many of the skills used in the marginal pole have been acquired through a training in the capitalist sector.

Whilst there is likely to be an internal cycle of income generation and expenditure within the 'marginal pole', clearly it is heavily dependent on the income generated outside it. For instance, one cannot conceive of the bulk of rural production independent of the income remitted from urban areas.

In a sense, therefore, the 'marginal pole' is a 'soak pit' that absorbs the structural and cyclical employment problem of the 'advanced bloc'. Employment in the 'marginal pole' is precarious and often transitory. In South Africa the significance of this is increased by the fact that there is now a gigantic capacity to direct and control labour. People can to a considerable extent be moved in and out of the 'marginal pole' according to the needs of the situation. The actual geographic location of these activities can be shifted and altered considerably (a comparison of Clermont and KwaMashu would be of interest to see what impact the more controlled townships had on the 'informal sector').

The exact composition of the 'marginal pole' also determines the balance between what could be termed the open unemployed and the underemployed in conventional terms.

CONCLUSION

Concluding a schematic outline such as contained in this paper is difficult since the obvious need is to substantiate many of the propositions made by further argument and illustration. The Appendix does suggest that there are at least statistical starting points for further empirical illustrations. However the main purpose of the paper has been to present an analysis of our employment and unemployment in South Africa that is not widely used.

In short the argument is that if one examines the concrete circumstances of South Africa's industrial development then one finds a configuration of factors which are structurally related (in the sense defined earlier) and lead to the present levels of employment and underemployment. One should stress that it is the *configuration* that is important and it may be worth stating this again briefly.

Capitalist industry in South Africa developed both due to local factors and in a particular phase of development of capitalist production on a world scale. Consequently sectors of the capital good production are absent in South Africa. Furthermore, the extent of foreign investment and repatriated profits is a drain on investable resources in the first instance and makes the economy vulnerable to fluctuation in a compensating inflow. Increasingly large corporations with their attendant products and capital intensive technology dominate the economy with the effect of defining the limits of expansion of smaller scale, more competitive and more labour intensive enterprises. Output increase, therefore, do not have the same impact on employment both due to mechanisation and the restricting effect on the expansion of other sectors.

These then are structural tendential forces that militate against employment expanding at a rate commensurate with increases in output. Furthermore, they exist alongside the structural disintegration of the African rural

economy and a relatively high population growth rate.

It is in this interplay of tendential structural forces that our unemployment and underemployment problems reside. Clearly policies can be evolved that could grapple with the problem but we need to be aware of the dimensions of the problem first.

FOOTNOTES:

1. This essay is a condensation of an earlier paper titled "Unemployment and 'Marginalisation'. A Framework for the South Africa Case" presented at the Workshop on Unemployment and Labour Reallocation", Development Studies Research Group, University of Natal Pietermaritzburg March 1977. I have chosen to try and simplify the main points of what in South Africa is a largely unfamiliar analytical position on unemployment. For the sake of brevity I have not elaborated on certain issues and have tried to incorporate numerous comments made then. I've also tried to deal with certain unpublished comments by Norman Bromberger but many would have required separate papers rather than this short essay.
2. W.A. Lewis, "Economic Development with Unlimited Supplies of Labour", *Manchester School*, May 1954.
3. C. Leys, *Underemployment in Kenya* (Heinemann 1975 (p. 259)).
4. See Erwin and Webster "Ideology and Capitalism in South Africa", in *Change, Reform and Economic Growth in South Africa*, eds. L. Schlemmer and E. Webster (Ravan 1978). The bibliography to this article will also be a guide to further reading.
5. See M. Legassick, "Ideology and Legislation in Post-1948 South Africa", *Journal of Southern African Studies* Vol 1 No 2.

6. This outline is largely derived from A.J. Obregon, "The Marginal Pole of the Economy and the Marginalised Labour Force", *Economy and Society* Vol 3 No 4 November 1974.
7. A.J. Obregon, *ibid.*

SOURCES FOR STATISTICAL APPENDIX (Pages 68&69)

Col 1	S.A. Statistics 1966 pW14. S.A. Statistics 1976 p21.21.
Col 2	S.A. Statistics 1976 p21,4. Col 7.
Col 3	S.A. Statistics 1976 p16,5. Col 1.
Col 4	S.A. Statistics p16,5 Col 3.
Cols 5 & 6	S.A. Statistics 1966 pQ10 and Q11. S.A. Statistics 1972 pP-11 and P-12. S.A. Statistics 1976 p16,12 and p16,3.
Col 11,12 & 13	S.A. Statistics 1966 p.Y-2 and pY-3. South African Reserve Bank Quarterly Bulletin (SARB QB) Sept. 1969, March 1976 and Dec 1977.
Col 14	S.A.R.B QB March 1976 (Supplement). S.A.R.B QB Dec 1971 p19.
Col 15 & 16	S.A.R.B QB.
Col 17 & 18	B de Jager "Fixed Capital Stock and Capital Output Ratio of South Africa 1946-1972", S.A.R.B QB June 1973.

STATISTICAL APPENDIX

The following statistics are presented to indicate some of the absolute magnitudes and proportions we are concerned with. (All figures in billions)

Year	Domestic * Capital Formation	Gross Operating Surplus	Total Imports	Total Exports (Exclud- ing Gold)	Imports		Exports		5/1 %	5/2 %	5/3 %	6/4 %
					3	4	5	6				
1960	460	2202	1111	884	309	46	67,2	14,0	27,8	5,2		
1961	471	2333	1005	952	306	43	65,0	13,1	30,4	4,5		
1962	468	2498	1027	949	308	39	65,8	12,3	30,0	4,1		
1963	549	2808	1213	999	396	34	72,1	14,1	32,6	3,4		
1964	652	3042	1540	1041	556	32	85,3	18,3	36,1	3,1		
1965	749	3258	1756	1059	679	51	90,7	20,8	38,7	4,8		
1966	866	3446	1646	1206	603	68	69,6	17,5	36,6	5,6		
1967	901	3953	1919	1364	748	79	83,0	18,9	39,0	5,8		
1968	1003	4088	1883	1506	761	96	75,9	18,6	40,4	6,4		
1969	1083	4632	2135	1534	883	110	81,5	19,1	41,4	7,2		
1970	1348	4763	2547	1537	1089	119	80,8	22,9	42,8	7,7		
1971	1574	5081	2887	1554	1286	142	81,7	25,3	44,5	9,1		
1972	1771	5907	2629	1955	1267	143	71,5	21,4	48,2	7,3		
1973	2017	7687	3283	2370	1482	151	73,5	19,3	45,1	6,4		
1974	2405	9402	4916	3012	2047	192	85,1	21,8	41,6	6,4		

Two main points are of interest in the above table:

- (1) The relatively high proportion that capital goods constitute of total imports (Col 9) compared to capital goods as a proportion of total exports excluding gold (Col 10). It is this imbalance that would distinguish us from developed countries that may also import significant amounts of capital equipment.
- (2) The argument in the essay is that the importation of capital goods constitutes an "employment loss" out of surplus generated here. This can only be imprecisely reflected with available statistics. However, the order of magnitude of such a "loss" is not likely to be insignificant (Cols. 7 and 8).

Foreign Liability	Foreign Assets	Liability Private Sector	Liability Manuf. (Private)	Receipts Investment income	Payments investment income	Capital Stock Total	Capital Stock Manuf.	'13	'11	'11
3073	899	2627		35	166	12262	975			65,5
3038	1076	2583		35	195	12685	1005			85,0
3023	1320	2605		40	172	13440	1063			86,2
3053	1448	2622		40	163	14392	1197			85,9
3135	1390	2691		54	205	15684	1425			85,8
3471	1365	2877		56	223	17754	1719			82,9
3765	1773	3159		59	239	20294	2049			83,9
3905	1801	3376	1026	78	262	22753	2286	30,4	26,3	86,5
4562	2422	3951	1233	81	297	24837	2412	31,2	27,0	86,6
4990	2449	4399	1385	96	367	26614	2509	31,5	27,8	88,2
5818	2400	2995	1683	97	388	30303	2806	33,7	28,9	85,9
7033	2486	5792		112	272	33922	3160			82,4
7786	3072	6435		126	441	38399	3696			82,6
10380	3397	9163	3635	204	553			39,7	35,0	86,3
12757	3814	11121		162	582					87,2
16450	4776	13518		175	777					82,2

As one would expect South Africa is very clearly a debtor nation (Cols. 11,12,15 and 16). The bulk of our liability is to the private sector (Col. 21).

The foreign liability in manufacturing is substantial and on the evidence of the available years a growing proportion of the total liability (Cols.19 and 20).

Although the statistics are not comparable a glance at Col.11 and 17 and Col.14 and 18 give a crude order of magnitude of the significance of foreign involvement in the capital stock.

Statistics only provide an initial indication of the orders of magnitude involved in what the author refers to as an "employment loss". In most years covered foreign capital inflows have counteracted outflow of investment income, however, this has the implications discussed in the article.

In the importation of capital goods and outflow of investment income and expressing this as a portion of a gross operating surplus which is the surplus from which new investment by all sectors, and private) can potentially be funded we find that between 1964 and 1974 the range was 24,4% to 6% (Col 5+16/2).

SOME SUGGESTIONS FOR IMPROVING
UNEMPLOYMENT INSURANCE

by Dudley Horner

According to the Report of the Controller and Auditor-General for the financial year 1974-75 (R.P. 84/1975) the accumulated funds of the Unemployment Insurance Fund amounted to R184 925 920 at 31 December 1974, and the excess of revenue over expenditure for the five years 1970-1974 had shown a healthy increase each year as the following table shows:

TABLE 1

U.I.F. : INCREASE OF REVENUE
OVER EXPENDITURE 1970 - 1974

YEAR	INCREASE (Rand)
1970	7 349 487
1971	7 021 407
1972	5 575 793
1973	8 765 952
1974	14 033 592

Provisional figures indicate that the accumulated funds of the U.I.F. amounted to R208 400 000 as at 31 December 1976: (1)

The Unemployment Insurance Act, No. 30 of 1966 excludes from the cover of U.I.F. numbers of workers of various types, namely: domestic workers in private households, agricultural workers, African mine workers, certain types of seasonal workers and categories of public servants. Some of the last-named are provided for in complementary

TABLE B

Unemployment Insurance Fund

Selected Statistics (All Races)

	A	B	C	D	E	F	G
Year	Total Contributors	Approved Applications for Benefits	Total Benefits Paid (Rands)	Total Employment	Col.A as % of Col.D	Total Unem- ployed	Col.B as % of Col.F
1970	1 668 000	112 701	13 772 663	7 391 000	22,6	1 019 000	11,1
1971	1 814 000	119 169	15 355 804	7 515 000	24,1	1 127 000	10,6
1972	1 999 000	137 330	19 532 980	7 587 000	26,3	1 315 000	10,4
1973	2 268 000	130 331	20 203 119	7 763 000	29,2	1 405 000	9,3
1974	2 527 993	125 217	19 690 798	7 933 000	31,9	1 484 000	8,4

Sources: Columns A,B,C, from Report of the Controller and Auditor General for the Financial Year 1974-75
Part 111, p. 588

It is clear that only between a fifth and a third of those employed are covered by the fund (column E) and that a relatively small percentage of those unemployed are likely to receive any form of benefit.

legislation and their exclusion from the legislation under discussion is, therefore, not a matter for particular concern. However, in other instances there is overt discrimination, if not on the grounds of colour or race, certainly on class where those workers who most need protection from the inclemencies of the economic climate are afforded no shelter whatsoever (See Table B). It may not, in the shortest of short terms be possible to extend protective cover to all agricultural workers, or African mine workers without a fear, at the very least, of depleting the accumulated resources of the U.I.F. in such a manner that few workers would derive any benefit worthy of serious consideration. There is an obvious need to monitor changing circumstances very carefully. However, in spite of these problems, it is clear that the time is long overdue for the progressive extended of unemployment insurance cover to workers who are presently excluded. This process could perhaps begin by extending the cover to all permanent workers on farms, in domestic service, and on the mines. As is indicated above, the funds of the U.I.F. are in a healthy state. Moreover the rate of contribution by both employers and employees was increased substantially in 1977.

Let us next consider the rates of contribution established by the Unemployment Insurance Act, No. 29 of 1977. Prior to this amendment the rate at which covered employees contributed to the fund varied from 0,44 per cent of their earnings (in some of the lower-paid groups) to 0,14 per cent of their earnings at the upper end of the scale of contributions. Section 2(a) of Act No. 29 of 1977 eliminated the inequitable system which prevailed by establishing an increased flat rate of 0,5 per cent of earnings for all groups of covered employee. While this change is to be welcomed it does not go far enough and a progressive scale of contribution should be introduced rising from 0,5 per cent of earnings at lower end of the scale of contributors to 0,75 per cent at the upper end. The reasoning which informs our argument in this connection is that the 5 cents per week presently required from a contributor earning R10,51 per week (R564 p.a.) imposes a far greater financial sacrifice than does the 65 cents required of a contributor earning R130 per week (R6 760 p.a.). Employees at the upper end could easily absorb further increases.

Having given attention to the question of contribution let us now examine the changes in benefits payable effected by the 1977 amendment to the Unemployment Insurance Act of 1966. While there can be no quarrel with the increase in benefits to the upper end of the contributors' scale, where a worker earning R100 per week could expect a benefit of only R20,30 per week or about one-fifth of his previous earnings, objections can be raised to the regressive principle which these changes introduced. If we use 1974 as our reference year, Table No. 2 below shows that increased benefits for more highly paid workers have been purchased at the expense of lower-paid workers. (2)

TABLE 2

CHANGES IN BENEFITS PAYABLE BY THE
U.I.F. BETWEEN 1974 AND 1977

WEEKLY EARNING GROUP 1974	BENEFIT PAYABLE 1974		CHANGE IN BENEFIT 1977	
<u>Rand</u>	<u>Rand</u>	<u>Rand</u>	Amount payable	
3. 7,51-10,50	4,55	7,51-10,00	"	DECREASES
		10,10-10,50	"	INCREASES
4. 10,51-13,50	5,60	10,51-12,43	"	DECREASES
		12,44-13,50	"	INCREASES
5. 13,51-15,60	6,65	13,51-14,76	"	DECREASES
		14,77-16,50	"	INCREASES
6. 16,51-19,50	7,70	16,51-17,09	"	DECREASES
		17,10-19,50	"	INCREASES
7-14. 19,51-130	20,30	ALL GROUPS	"	INCREASES

Quite clearly Section 3 of Act No. 29 of 1977 which replaced Section 36 of the Unemployment Insurance Act of 1966 has placed some, probably many, low-paid workers at a considerable disadvantage. The rates at which they contribute to the U.I.F. have been increased

while the benefits due to them in money terms have actually been reduced. In *real* terms, taking inflation in the years 1974-77 into account, the value of the benefits to which they are entitled will have been reduced even further. Remedial action is urgently required.

The 1966 Act provided that workers in the first three groups of contributors, namely those earning up to R10,50 per week, (R546 a year) would not qualify for ordinary benefits if they refused suitable work which was available, including work in agriculture or work as a domestic servant in a private household, where their earnings would not be less than the weekly benefits which would be payable if they were unemployed. The 1977 Act has raised the 'ceiling' of this provision to R15 per week (R780 a year). This will bring further workers within the ambit of this particularly objectionable provision. What this means is that an industrial worker earning R14,00 per week, who upon becoming unemployed is entitled to a benefit of R6,30 can be coerced into accepting a position in a low-status and low-paid occupation at less than half his previous wage thereby forfeiting a benefit to which he had contributed and which was his due. Given our system of labour bureaux and migrant labour, an African worker's future job opportunities could be drastically curtailed were he to find himself in this unenviable position. The original provision prior to 1977 was sufficiently objectionable in itself; to augment it in this way is deplorable. It should be repealed and there should be no discrimination between workers in the different earning groups.

Further, until 1977, contributors in earnings Groups IV&V (those earning between R10,51 and R16,50 per week) were required to accept available work similar to that which they had been doing prior to becoming unemployed before benefits would be paid. This was a more reasonable 'hedge' against the 'work-shy' than that which we have described above. However it was then and remains now a contentious issue. 'Suitable work' and 'similar work' allow claims officers some latitude for interpretation. Human error could cause inconvenience or even grave hardships for some contributors. It would be more equitable to define 'suitable work' for these

purposes in terms of actual earnings prior to becoming unemployed. This suggestion raises a related question which revolves around a further innovation introduced by Act 29 of 1977. The present dispensation prescribes that contributors whose normal earnings *exceed* R15,00 per week (R780) could be obliged to accept work at 75 per cent of the remuneration payable in the work upon which they ordinarily engaged before becoming unemployed. Before 1977 there was no such stipulation for groups VI to XIV. It seems likely that these provisions were introduced to protect the U.I.F. in the present depressed conditions. Caution may be desirable in certain circumstances but these issues raise a very fundamental question about the nature of unemployment insurance in South Africa. The system is beginning to acquire so many safeguards aimed at preventing unemployed workers from claiming benefits that some workers may feel that their contributions to the U.I.F. are more a form of taxation for the 'privilege' of being employed than a prophylactic against hard times. The time is long overdue for a system to be introduced which would provide for an effective 'cushion' for workers in periods of adversity.

Finally I would suggest that the Unemployment Insurance Board be elevated to the level of a statutory commission. It should consist of five appointed members one of them the Chairman *elected* by employers' association and an equal number of members *elected* by trade unions. One of the appointed members should be an actuary, another should be a professional economist, and a third should be an official of the Department of Labour with special knowledge of the Labour bureaux (exchanges). The Commission should be given a greater degree of independence than that presently enjoyed by the Unemployment Insurance Board.

As usual the statistics tell less than the full story. There is widespread ignorance, and lack of education about, the available benefits. There are employers who fail to register their employees, or adopt incorrect procedures regarding the U.I.F. Card, or note the reason for termination of service with little regard for the consequence. Unless the reason is

redundancy a six week penalty period is imposed before benefits can be received. Appeals against this penalty for 'default are possible, but few workers know this. The claims procedure entails dealing with both the Departments of Labour and Bantu Affairs. Beyond this there are the corridors crowded with people who wait, only to be told to return tomorrow, or next week; and then not for the last time. Workers have been known to wait three months before receiving their first benefit payment.

FOOTNOTES:

- (1) Minister of Labour. Hansard 2. Question Column 88, 1 February, 1977.
- (2) For a brief account of this, see: Muriel Horrell. Legislation on and Race Relations, Johannesburg, SAIRR 1971 pp. 63-5.

SOME ASPECTS OF UNEMPLOYMENT IN THE
WESTERN CAPE

(October 1976 - September 1977)

by Carol & Andrew Prior

An Analysis of the Athlone Advice Office records from Oct 1976 to September 1977 shows that at least 811 people brought in problems directly arising from being out of work. Of these 464 were permanent residents, 270 were contract workers and 77 were in the area illegally. Out of a total of 600 cases seen in June and July 1977, which were peak unemployment months in the Cape, some 200 were out of work. (1)

The Western Cape has since 1966 been declared a "coloured preferential area" (2) and there has been considerable pressure exerted on employers to dismiss "illegal" African workers and replace them with coloureds. There was also a move some months ago to prevent even qualified Africans from taking jobs offered to them, as the Labour Bureau had to issue a clearance certificate before any African could be employed. The following case studies are representative of various categories of unemployment and they indicate the peculiar problems resulting from this labour legislation and its interpretation.

* Mr K has lived in the Peninsula since his birth in 1950. He has a house which he occupies with his wife and 2 children. After he lost his job in 1976 he tried for months to find another. Many firms were looking for a competent driver and he had job offers. The last firm to be refused a "clearance certificate" by the Labour department said that they had been told that there were no jobs for Africans while there is unemployment among coloureds.

Recently a concession has been made which may temporarily alleviate the situation. Because of the large numbers of unemployed qualified Africans in the area, firms with jobs to offer do not at the moment have to obtain a clearance certificate, but may employ an African if

a suitable job is available. There is no indication as to how long this concession will last.

The Athlone Advice Office does not act as an employment agency, but large numbers of unemployed continue to visit the office in the hope that it will be able to persuade employers to take them back, or to ask for assistance in negotiating their final pay packets. For contract workers, permission to be in the area terminated with their jobs. Although it is a breach of contract for an employer to dismiss contract workers before his contract expires, without grave cause, and retrenchment is not accepted as such, an excuse can always be found by the employer for dismissal and the man goes home with no possibility of returning to Cape Town on contract until either new jobs are created or present ones fall vacant. This creates serious problems for men who have brought their families to join them in preference to living in single quarters all their working lives.

- * A worker, Mr Q, had been employed by Escom for 22 years. While at home on holiday he went to the magistrate to renew his contract and was given permission to return to Cape Town. At Nyanga he was told that Escom was not allowed more permits for Africans. He had only 6 months to go to qualify for his pension.

The increasing number of police raids and larger fines have made employers worry of taking on people whose passes are not in order. Many of the Advice Office's clients, though technically "illegally" in the area have lived and worked in Cape Town for years, many in the same job.

DOMESTIC WORKERS:

Domestic workers are badly affected by these regulations. There are no contracts for black women. Domestic work is for those women who qualify to live and work in Cape Town, and women from other areas must work illegally. Frequently these women are forced into Cape Town in order to support extended families and have often been deserted by husbands who leave the homelands on contract and make lives for themselves in the cities. The only legal protection enjoyed by these women is that wages

which they have already earned may not be withheld from them, which is a frequent occurrence. There are no minimum wage regulations, or holiday, sick leave, pension or Unemployment Insurance Fund (UIF) provisions. These are entirely at the discretion of the employer. Cases have been reported of women who were sacked and told they would not be paid as they were illegally in the area, and therefore had no redress.

- * In one case an employer brought her maid to the office in an attempt at having her presence legalised. She had been in the employ of the family for three years. She had presumably been reported to the police by a jealous neighbour who felt she was paid too much, thereby "spoiling the market".
- * In another, an employer played on the fear of his domestic by saying that he would bank her salary when he was in town so that she would be able to avoid being arrested by the police. She received R5 per month pocket money, R20 being paid to her bank book. When she left his employ he did not have her book with him, but promised to post it. After much correspondence with the bank it was discovered that no deposits were made in her name, and the employer "had moved away".

UNEMPLOYMENT INSURANCE:

As far as the administration of the Unemployment Insurance Fund is concerned the system malfunctions at a number of points. The problem areas are those relating to employers and to the administration of the fund.

- 1 *Problems relating to employers:* These related to faulty administration, ignorance and carelessness on the part of the employers. Among them are the following:
 - a. firms who had not applied for UIF cards by the time the employee was dismissed;
 - b. firms who had applied but the card was not available when the employee was dismissed;

- c. firms who had not assisted employees to obtain sick benefits
- d. firms who had not assisted employees to obtain maternity benefits;
- e. firms who did not assist deceased employees relatives to obtain death benefits;
- f. firms who did not explain to employees how to obtain UIF benefits;
- g. firms who did not give cards to employees when they were dismissed although they had them.
- h. firms who filled in cards incorrectly;
- i. reasons for dismissal thoughtlessly filled in. (3)

Cases on record illustrate each one of the above contraventions of the UIF act. The following are two examples:-

- * Mr C worked in a cannery. When he was dismissed he did not receive his UIF card. When the factory management was contacted the reply was: "Bantu are not entitled to UIF cover". When it was pointed out that they were, the factory agreed to look into the matter. The case was referred to the Department of Labour.
- * Mrs S came to Cape Town from the Transkei when her husband was killed in an accident. She was entitled to death benefits and so came to collect his possessions and his UIF card. After two fruitless weeks going from office to office she was told to return to the Transkei and wait. This she did, seeing the magistrate in her area. He could achieve nothing, despite letters on her behalf, so she returned to Cape Town. Her

husband had worked for three weeks for his last employers before he was killed, and they had no UIF card for him. The firm who had previously employed him had never applied for a card. It was agreed that they would apply for one, fill it in, send it to his last employer who would send it to the Advice Office to forward to the widow. Nearly six months has elapsed since the first investigations and the matter is not yet resolved.

2 *Problems relating to the administration of the Fund:*

These relate to unemployed workers who have been signing the unemployment register for many months, and who had or still have not received benefits. It can take three months or more before benefits are received and there is an additional six week 'penalty' for workers who apply for benefits when they have resigned of their own accord.

3 *Miscellaneous problems:*

The independence of the Transkei (26.10.76) created enormous problems for workers. From that date no Transkeian was to be issued with a new UIF card. Contract workers who had paid into the fund for more than 13 years prior to independence are able to place claims via East London until October 1979. Their UIF cards are thus valid. But no more deductions are made for UIF from Transkeian contract labourers and no new cards are issued nor are there any benefits which 'new' contract workers can claim. It is important to note that no claims from such workers can be made in Cape Town. The man must return to the Transkei and register as a work seeker in his home district, and then apply for UIF through the East London labour office.

EXPLOITING THE SITUATION:

One of the worst features of the recession and resulting large scale unemployment has been the willingness of employers to use the situation to their advantage. A man or woman who is jobless is at the mercy of BAAB, the police, his creditors and cut-throat business practice. When people are queueing for work, workers

can be dismissed, paid ludicrous wages, and have their time and money wasted on fruitless quests.

- * An ice cream parlour in Sea Point engaged 10 young men to ride ice-cream carts. Wages were not fixed, but the owner of the venture promised the men 10% of their takings. At the end of the day he handed over R10 to the eldest to divide among the others. When they complained he said that they had stolen some of the takings and threatened them with the police. R1 hardly covers their transport between Guguletu and Sea Point.
- * * When men register for unemployment benefits they are compelled to register as work-seekers and join the labour pool. A group of these men were recruited by a building firm. When the men turned up for work, having paid their own fares, they were told that there was no more work. The firm had in fact recruited too many men.

CONCLUSION

It is only to be expected that Apartheid legislation would be more rigorously applied in a time of economic stagnation for it can then satisfy the requirements of the Bantustan policy without injuring the economy. The case studies in this article point to the growing sense of insecurity, discontent and social dislocation which must necessarily come in the train of those to whom unemployment means, not only being without a job and money, but compulsory exile to areas from which escape is possible only when legislative and labour barriers are lifted.

FOOTNOTES:

1. Rf Athlone Advice Office Annual Report, Oct 1976 - Sept. 1977.
2. In Dec. 1966 the African 'labour complement' of employers in the W.Cape was frozen as from certain fixed dates earlier that year. The term 'labour complement' implies the number of registered employees plus already notified vacancies. An employer whose complement was below his frozen number could

employ additional Africans who qualified to live in the area, or could apply for male contract labourers (recruited from elsewhere and for not more than a year at a time), provided that he could produce a certificate from the Dept. of labour indicating that no coloured workers were available. No applications for the introduction of contract labour would, however, be entertained for 13 defined categories of work (e.g. domestic servants, vehicle drivers, delivery men, clerks etc.)

3. The list corresponds to that drawn up by Mrs S. Piper in a letter to the Minister of Labour reporting conditions in the Natal area. rf. SASH, Feb. 1978

METAL AND ALLIED WORKERS UNION (TRANSVAAL) :

MEMORANDUM ON RETRENCHMENT IN THE METAL INDUSTRY

INTRODUCTION

Increasing unemployment and the rapidly rising cost of living are the two major concerns of workers in South Africa today. Unemployment has increased to an estimate of 1,7 million most observers predict further increases. The implications of unemployment are not only of concern to workers, however, and Assocom commented in its recent report to the Cillie Commission (reported in the Star, 17 February 1977) that unemployment has a direct bearing on the instability in black areas. Similar opinions have been expressed by people ranging from Col. J.P. Visser of the SAP in Soweto to Dr Alex Borrairie of the PRP and Anglo-American Corporation. It is therefore vital, both from the point of view of individual workers and their families and from the point of view of the country in general that all possible efforts be made to curb unemployment and to find ways of keeping workers in their jobs.

Workers losing their jobs now are unlikely to get comparable jobs, or indeed any jobs, in the foreseeable future. It is not possible for a family to live on the benefits paid by the Unemployment Insurance Fund. These benefits are in any case hard to obtain and are paid for a maximum of 26 weeks in any year. The position is aggravated by the continual rise in the cost of living over the past few years, which is still running at a high annual rate, as shown in Table 1.

TABLE 1
 PERCENTAGE RISE IN THE CONSUMER PRICE INDEX
 (PER ANNUM)

	1973	1974	1975	1976	May 1977
All items	9,3	11,6	13,5	11,1	11,1
Food	15,3	15,0	14,9	7,4	10,1

(Source: Stats; Monthly Statistical & Marketing Digest, January 1977 and June 1977)

THE METAL INDUSTRY

There have been widespread retrenchment in the engineering industry during 1977. Employers have in general justified these retrenchments as being due to lack of work in the industry. In this report we present evidence that the lack of work has been exaggerated and that it is a severe problem only in certain sectors and certain geographical areas. The Metal & Allied Workers Union believes that a good deal of the retrenchment has been an exercise in cost-cutting. While there is no doubt that the recession has affected production levels, substantial overtime working has been very common in the industry, at least on the Witwatersrand, for several months. It appears that productivity in many firms has been artificially forced up by decreasing the work-force while maintaining production levels: machines are being speeded up and workers are operating more machines per individual than before. No increases in wages have been granted, however, so that the workers are not benefitting at all from the increased productivity.

THE PATTERN OF RETRENCHMENT

Retrenchment has taken two forms: while many workers have been told that they are being retrenched because they are redundant, "rationalisation" is as often being achieved by "natural wastage" - workers who are dismissed or resign are not replaced.

Increasing numbers of workers are being dismissed for trivial reasons and are thus included in the "natural wastage". It is therefore very difficult to quantify the extent of retrenchment in the industry. Reports received from union members and appearing in the media show that it is substantial.

OVERTIME WORKING

MAWU members and officials have conducted a survey in several areas on the Witwatersrand, primarily the industrial area round Benoni and the Kew/Wynberg area in the North of Johannesburg. The results of the survey are *not* intended as a comment on the actions of individual firms: we chose as complete and unbiased a sample as possible, but were limited in many ways, so our information cannot be regarded as exhaustive. This memorandum is therefore intended only as a first look at the problem, and we intend to follow up our initial results by further research.

In firms in which the union had members, information was provided by the members. For other firms information was obtained either from workers in a firm or by counting workers leaving the factory. The data have been checked where possible, but as we did not have access to management in general, some entries may be misleading.

Of 39 firms in Benoni, Kew/Wynberg, Heriotdale & Isando for which we have reliable data, 29 were working at least one hour overtime each week-day, on a regular basis involving the majority of workers at the firm. Fifteen were regularly working on Saturdays, again involving most of the workers in each firm. Two were regularly working on Sundays. Only 7 were not working some regular overtime.

TABLE 11
NUMBER OF FIRMS WORKING *REGULAR* OVERTIME

One hour per week-day	More than one hour per week-day	At least five hours on Saturday	At least five hours on Sunday
1	28	19 or more	2 or more

Thus more than 75% of the firms were working more than 8-10 hours overtime each week, on a *regular* basis involving most of their employees. While our figures do not pretend to cover all sectors of the industry, they undoubtedly reflect the situation in a very large portion of it.

Clearly, conditions in the metal industry, at least on the Witwatersrand, are not as bad as have been made out. This is confirmed in the SEIFSA "Business Conditions Report" for May 1977 and June 1977: these reports cite poor conditions in very few sectors, including Automotive Components and Electric Cables, while several sectors, such as Foundaries, General Engineering and Heavy Engineering, report good conditions and extensive overtime. Most of the other sectors are experiencing improved conditions over the beginning of the year. MAWU's Natal branch, however, reports extensive short-time working in Natal. But even here there are firms where overtime is still worked. There are also cases where workers on short-time for a period suddenly find themselves back on full time plus overtime at another. Thus, we conclude that:

1. The lack of work is not as severe as has been made out;
2. The lack of work is localised and should not be generalised to all races.
3. Much of the retrenchment has been disguised cost-cutting.

WHAT CAN BE DONE TO AVOID RETRENCHMENT?

1. The Industrial Council should ban all *regular overtime working*.
2. Where empty order books justify retrenchment, firms should rather elect to work short-time.
3. Adequate notice should be given to workers who are to be retrenched. The present notice period of 1 day is too short to tide workers over until they can obtain UIF benefits.
4. Firms should agree to re-hire retrenched workers when jobs are available.
5. Management should discuss retrenchment fully and frankly with their employees, and should discuss ways of avoiding it.