

Labour, socio-economic transformation and the state: reflections on South Africa's ten years of democracy

Address by Zwelinzima Vavi, COSATU General Secretary,
to the COSATU Conference celebrating ten years of democracy and freedom
5 March 2005

This Conference attempts the ambitious task of assessing the main dimensions of South Africa's transition during the first 10 years of democracy, and to begin to outline emerging challenges for the second decade. The Conference will focus particularly on the role of organized labour, and its relationship to alliance partners, the democratic state, capital, and progressive civil society formations. In analysing this period we will consider the dimensions of state power, and the role of the state in transformation; the role of old centres of apartheid power, and the emergence of new class forces; and the trends, uneven and contradictory as they are, in economic, social, and labour market policies, and the impact of these in addressing the critical questions of poverty, inequality and unemployment.

The Conference will consider whether labour is sufficiently powerful to play its important role, given some of the organisational challenges, which have emerged. At the same time, we attempt to reflect on international developments during this period, alternative development paths, and the space open to South Africa to make different policy choices.

We have the benefit of various international thinkers and activists, to allow us to escape the temptation to be narrow and inward looking. We also have the benefit of critics, as well as supporters, of the labour movement, from both sides of the political spectrum, to allow for a vigorous engagement, and testing of our ideas. Equally we have representatives of government, to outline their perspectives on the key challenges.

As we go into our second democratic decade, some exciting new trends and possibilities are opening up, which suggest that space exists for innovative approaches to move us forward. This Conference will therefore not only reflect on the past, but also look at the possibilities for charting new directions.

We encourage debates in the best traditions of the labour movement: open, vigorous, without nursing anyone's egos; constructive, seeking solutions and alternatives; inclusive, ensuring all voices are heard and engaged with.

This input attempts to introduce the key debates which the Conference will address, in the context of a special emphasis on labour's engagement strategy during the first decade of democratic governance, achievements and setbacks, and implications for the way forward.

1. LABOUR'S CONTRIBUTION TO THE TRANSITION

The first point to stress is that organized labour has not been a passive spectator in the unfolding drama of constructing our democracy over the first decade. Rather we have been active and engaged participants, attempting to maximise our role in strategically shaping the character of our democracy, and contributing our resources and experience to this end:

- The organised working class was a force, which played a decisive role in achieving the democratic breakthrough. It has also played a significant role in shaping the character of the transition in certain respects, although, as we argue below, this role could and should have been a far greater one.
- An important element of organised labour's contribution has been its militant and active mobilisation to deepen democracy, and advance rights of working people and the poor. Although mass action has often been perceived, and sometimes misrepresented, as directed against the democratic government, an analysis of the actions taken by workers reveals a different picture: the General Strike to support the entrenchment of worker rights in the Constitution was launched to defeat attempts by opposition parties and big business to weaken these rights and entrench even a stronger version of the property clause; various mass actions to push for, or defend progressive labour legislation, whether in relation to the LRA or BCEA, were taken to counter major mobilisation by capital, and attempts by business to blackmail government into reversing these gains; mass action against poverty and unemployment was taken to highlight the job loss bloodbath, oppose pro-capital economic policies, and demand appropriate policies to address our development challenges; and mass actions to demand adequate allocation of resources to the public sector, and to demand that public assets remain in public hands, were in opposition to capital's campaigns to shrink the democratic state, and deny the government access to resources required to play its developmental role. While a number of these actions have on occasions brought us into conflict with the democratic government, they can all be characterised as attempting to defend and deepen our democracy, and to counter the agenda of big business. These mobilisation efforts of organised workers have played a key role in reversing some problematic directions in public policy, and winning important gains for working people. It may be, however, that we have not claimed these achievements sufficiently.
- The maturity of the labour movement and its leadership has arguably enabled it to avoid falling into one of two extremes: at the one extreme, becoming docile and subservient, unable to protect the interests of its members and broad constituency- this would have rendered our democracy far more vulnerable to the power of capital and the interests of the old centres of apartheid power; on the other extreme, becoming hypercritical and oppositional in character, because of some areas of disagreement with our democratic government. This would have equally marginalised organised labour, and empowered those attempting to drive an anti-worker agenda. Avoiding this tendency has depended on the keen political consciousness and strategic vision of South African workers, who have not allowed the major problems confronting them to drive them to postures, which would have been self-defeating in the long run. A key balance, which has had to be struck, has been to develop the ability to engage strategically, to advance and support progressive gains, while standing fast in opposing problematic policies. The ability to do any of this effectively is directly related to the existence of a powerful, conscious and mobilised constituency;
- Related to this, is the ability to engage with policy intelligently, to intervene strategically, and to provide progressive alternatives. During the apartheid era, the labour movement was immersed in the strategies and tactics of engagement. Engagement with employers is obviously the natural terrain for unions, and labour was able to creatively apply these skills in the political and social sphere. In the era of democracy the challenge was to adapt these skills to new conditions. Indeed, in the post-1994 period organised labour has engaged in a massive array of engagements on a host of issues, combining informed policy engagement with sophisticated negotiations skills, and use of mass mobilisation in a manner that have combined to provide countless victories to workers and the poor. COSATU's conscious approach has been to drive a strategy of broad engagement on all issues of strategic importance to working people. This has meant

going way beyond shop floor issues construed in a narrow way- the so-called 'gumboots and wages' focus. Organised labour has played a key role in constructing institutions of social dialogue, driving engagements in them, and defending these institutions against attempts, particularly by business, to undermine them. This has seen important negotiations concluded primarily in NEDLAC's, on issues of labour legislation, as well as trade, industrial, and social policy matters. Simultaneously scores of bilateral engagements have taken place with government Departments, and Parliamentary Committees on a wide range of issues. In the first decade of democracy, for example, over 230 written and well-researched inputs were made by COSATU on issues of policy and legislation to 20 government departments and their corresponding committees in parliament. Collectively, these engagements represent a rich experience of policy development, and development of legislative alternatives, in pursuit of the interests of our broad constituency. An analysis of these engagements in NEDLAC's, with Parliament, Government Departments etc reveal a complex and mixed picture of gains and setbacks. What cannot be denied is that, whatever the setbacks, organised labour has made an impact on a diverse range of policies in the post-94 period, sometimes clearly apparent, sometimes less obvious. This is well documented for the first five years of governance in the COSATU publication *Accelerating Transformation (see attached table on gains and setbacks from Accelerating Transformation pp 139-141)*. While important advances have been made, there are still significant challenges requiring improvement, particularly in ensuring consistent, broad based involvement of structures in driving processes, proper accountability, and effective implementation of gains. This is dealt with below.

- A particularly troubling dimension of engagement, which has been enormously frustrating for labour, particularly COSATU, has been the failure of the Tripartite Alliance of COSATU, the ANC and the SACP to drive processes of governance. From being the central vehicle, which was supposed to drive transformation after 1994, based on the Alliance's election platform, honest reflections on its role agree that the Alliance has been relatively marginal to most processes of governance. We reflect on this later. What is important for the purposes of this discussion is that COSATU has consistently attempted to dynamise the Alliance as a vehicle of transformation, and give it a more central role. We have to concede that in many respects these attempts have not been successful. Nevertheless, there have been instances where the Alliance has played a significant role in contributing towards the transformation agenda. Normally, however, the strategic engagements have taken place elsewhere. While it is not always obvious that debates in COSATU and the Alliance are driving changes, sometimes this has happened more indirectly, for example, through influencing discussions in platforms created by our Alliance partners, such as conferences and other forums. For example, significant shifts in government on issues such as macro-economic policy, defense against attacks on the labour market framework, decisions to expand the social security net etc have been influenced by these broader debates, even if the shift was sometimes expressed in terms of internal discussions in one of the Alliance partners, particularly the ANC. Significant convergence on important issues has also taken place in policies adopted by the National Conferences of the movement; and in the negotiation of a joint approach on key issues in elections manifestos. This is not, however, always translated into government policy.
- The Labour movement contribution to the new society and being a training school of democracy has still to be properly documented. We have produced countless working class leaders that are playing important roles in almost every sphere of transformation. Many of these have taken their place in government, and other leadership positions. So far we have contributed a Deputy President of the country, at least 6 premiers, 10 Cabinet Ministers and even greater numbers of Deputy Ministers, countless MEC's, MP's, MPL's Mayors and Councillors. This is not to mention many others who have

taken up positions as Director Generals or other leadership positions in government Departments, and other important institutions. While the media often focuses on the claimed negative effect of the 'loss of leadership' by the labour movement, the positive effect of this contribution is rarely recognised. When these leaders no longer account to us, we cannot be held accountable for what they do, say or now think. But one thing for sure is that they are well trained and have not been a failure in their new areas of responsibilities.

- An important contribution to the consolidation of our democracy has been the political mobilisation of workers to support electoral processes, and to mobilise in support of the organisation which best represents their interests. These campaigns by labour have been an important contribution to dynamising our democracy, in the context of growing signals of voter apathy and potential alienation from political processes. The 2004 elections showed that far from workers being mere elections fodder, mobilisation around their issues played an important role in shaping the character and content of the elections campaign. This upsurge in mobilisation also played an important role in consolidating and speeding up shifts on issues of key concern to workers, such as the role of the public sector and public enterprises, measures to address poverty including an expansion of social grants, measures to combat unemployment etc

2. PERSPECTIVES ON THE ROLE OF LABOUR IN THE STATE OF NATIONAL DEMOCRACY

Different perceptions exist in the Alliance on the role that labour should play in the transition. A COSATU Discussion document for this week's Alliance 10 a side outlined three perspectives, which exist on the role COSATU should play:

- That it should be the voice of the working class, acting within and outside the Alliance to ensure better conditions in the workplace whilst it equally campaigns and lobbies for pro poor policies from the state.
- That it should provide an instrument for the revolutionary state to mobilise and discipline workers in support of government policies. From this perspective, COSATU is expected to work with the government, including explaining the logic of capital accumulation and preventing strikes.
- That it represents a labour aristocracy, which can and should act only to protect the narrow workplace interests of its members. From this perspective, COSATU should not comment on broader political and economic issues since it would then act outside its mandate. Moreover, any positions taken by COSATU are suspect, since they may reflect the interests of a minority or be excessively influenced by formal business.

COSATU itself argues for the first option. This means that the union movement cannot limit its concerns to the workplace. Its aim, however, is not to take over state power, but to represent the interests of workers and the poor consistently in policy debates as well as in workplaces.

COSATU rejects the other options for the following reasons.

First, the labour movement can only mobilise and discipline members around government policy if it agrees with those policies. Where government adopts positions that run counter to the interests of workers, union leaders cannot urge members to support them. That would, in the long run, undermine the unity, effectiveness and ultimately the very existence of the labour movement.

Second, the formal labour force, which forms the immediate constituency of COSATU, cannot be considered a “labour aristocracy” in any normal sense of the term.

- The concept of the labour aristocracy has sometimes been used to describe situations where the formal, permanent labour force comprises a small percentage of the population, as is the case in many low-income developing countries. In South Africa, in contrast, the formal labour force comprises 71% of employment, with domestic workers at another 9% and the informal sector plus subsistence farmers at 20%. Some 40% of formal workers outside of agriculture belong to unions and some 75% of all organised workers belong to COSATU unions.
- This situation means that the unemployed and economically inactive depend primarily on support from formal-sector workers. The eight million formal workers support the vast majority of those who do not earn their own incomes.
- It follows that it makes no sense in economic, social or political terms to see a deep divide between formal workers and the rest of the population. On the contrary, formal workers ultimately end up bearing the burden of high levels of unemployment and low incomes.
- Most formal workers and even union members do not earn much above the poverty line. Some 40% of union members earn under R2500 a month. Pay and benefits are worse for non-union members, who are found mostly in vulnerable sectors – primarily retail, farming, domestic and informal work.

In these circumstances, it would be suicidal for the progressive labour movement to focus narrowly on the needs of formal workers. As COSATU’s 2015 programme stresses, rising unemployment undermines all union gains. That is the objective reason why COSATU has since its inception tested its policy proposals against the impact on workers and the poor as a whole, rather than considering only its members.

It is clear that South Africa is not going to see a repeat of other national liberation struggles where the trade union movement was turned into a conveyor belt either of government, or the ruling party or even capital. The reasons for this are straightforward- the high level of political consciousness amongst organised workers and their strong level of mobilisation; strong traditions of independence and accountability of trade unions to their membership; the large and strategically significant position of the organised working class in the economy, when compared to predominantly rural societies with a small working class; as well as the history of the national liberation movement in South Africa itself, which has developed over decades a radical politics strongly biased towards the working class.

3. OBSTACLES TO A MORE EFFECTIVE ROLE FOR LABOUR IN THE TRANSITION

A frank assessment of the period shows that, despite organised labour’s important role in the transition, a number of factors have constrained organised labour, and the working class as a whole, from playing an even more strategically effective, and qualitatively different role, in shaping the character and content of the transition.

Some of these factors are *internal* to the labour movement, so called ‘endogenous factors’, and reflect subjective weaknesses; others are *external* to the labour movement, so called ‘exogenous factors’ over which we have little control. Nevertheless it is important to recognise that there is often a connection between these two sets of factors. For example, the failure of labour to drive a more effective strategy to build the power of social capital is not unrelated to the domination within government of a market-led economic strategy, and the failure of government to promote alternative economic models. However, we accept that labour needs to take the initiative to proactively drive its own strategies, and fearlessly

identify and correct its weaknesses, at the same time as trying to fight for pro-worker policies.

Internal Weaknesses

We will therefore first concentrate on our own internal shortcomings, in making this analysis, to better position us to take the necessary corrective measures. Professor Eddie Webster likes to say that we are quite good at opening doors, but not as good at walking through them. He refers here in particular to important victories we have scored, for example in the area of worker rights, but our failure to effectively implement a strategy to take forward these rights and use them as a tool to change the working conditions of workers. This is a legitimate criticism, which should be taken seriously.

Gains such as those contained in the LRA in particular the organisational rights; Basic conditions of Employment Act, Employment Equity Act, and Skills Development Act, in some respects remain gains on paper, which have not translated into adequate gains for workers on the ground. Similarly, legal rights of workers to control retirement funds have not been adequately translated into real say over how these funds are invested. The retirement funds industry has assets worth R909 billion. We have not used the legislation to realise the enormous power the labour movement could wield. By exercising control over such resources we could begin to dictate the terms of economic transformation and discipline capital to play a much more constructive role. The Federation has set up policy desks with the express purpose of addressing these weaknesses. But far more needs to be done by ourselves and the Affiliates to unlock effective strategies to pick up these gains. The recent signing of a partnership between COSATU and the Department of Labour is certainly a step in the right direction. The danger exists that, having opened even that door will we walk through? Or will the partnership be a symbolic partnership of rallies here and there without ensuring that we systematically address the overall weakness of not translating legislative victories into weapons to change workers situation.

At another level, we need to consider whether we could have more aggressively claimed the democratic space, which has opened up in a number of areas. Some of these require innovative approaches, and consideration of new tactical options which arise which were not available before, or which we have been reluctant to use. For example, the judiciary represents a complex terrain of engagement, which the labour movement has largely avoided, apart from strict labour relations matters. Given the fact that the Constitution is the product of our struggles, and that the judiciary itself is a terrain of contestation, we need to ask whether it has been correct to limit engagement with this institution to the extent that we have. In relation to broader social matters, conservative forces, including business, have largely occupied this space. Some of this may be for good reasons, such as the fear of legalism, over focusing on courts to the detriment of organisation; financial constraints; and concern about taking an over confrontational approach to government through institutions which are seen to be untransformed. But we need to question whether it is time for the labour movement to review this approach.

Another area where space has opened up is democratisation of the plethora of state, parastatal, and other social institutions. At one level, labour needs to be more assertive in demanding its place on key strategic boards, which are often dominated by business people and technocrats. At another, we need to ensure that our representatives in various institutions, where we have them, represent our interests effectively, and report back on a regular basis. We should not send people to institutions simply to have 'warm bodies' representing labour. They need to be empowered to play a strategic role; otherwise we end up being compromised by decisions, which are not in our interests.

Similarly we need to broaden the base of negotiators who can carry labour's mandate in key institutions such as NEDLAC's. The alternative is to continue to place too much reliance on a few individuals, an over-reliance on officials, and a lack of consistency in driving negotiations.

We also need to ask whether we have not allowed business to get off too lightly during the transition, both on broad social and economic issues, as well as specific workplace concerns. In the face of the reactionary and obstructionist role they have played, is there not more we could have done, both as labour and the broad democratic movement, to expose their role, isolate them politically and socially, and begin to hold them to account. Whether its in relation to the obscene, and growing income inequalities, their lack of investment in the real economy, their massive export of South African capital and jobs, or a host of other issues, are there not more creative campaigns which could be waged, both by labour and broader progressive society? Of course this task has been hugely complicated by the submissive stance which government has taken. And labour has embarked on major significant campaigns, such as the jobs and poverty campaign, with broad social support. But the sense remains that business is being allowed to get away with murder, on a scale, which would not be possible in a number of countries. In the spirit of COSATU's worst employers awards, should we not establish a mechanism, with a set of guidelines, to compile a register of employers who are violating basic employment conditions, transgressing employment equity, engaging in wanton job shedding, casualising the workforce etc and demanding that they inter alia be excluded from access to state contracts, as well as being prosecuted for their transgressions. Similarly, criteria could be established for investments by retirement funds, with those companies failing to meet these basic standards being put on a blacklist, until they could demonstrate compliance.

Related to the above point, a more systematic approach is required to the development of alternative economic centres, including institutions of social capital. If the deepening of the NDR and social transformation require rolling back the power of private capital, this means developing alternative ways to consolidate and harness the power of public and social capital. This includes the public fiscus, strategic procurement, harnessing the capital of parastatals and public finance institutions, and creating centres of social capital through retirement funds, workers financial institutions, and co-operatives. Labour has in particular not yet systematically used our potential financial leverage to achieve these objectives. For the labour movement to drive this requires the dedication of serious capacity and energy. This could be done in collaboration with the SACP, which has begun to do some work in this area, as well as key COSATU affiliates which have done work in this field.

In the face of attacks on the democratic state playing a strong developmental role, and therefore on the public sector, organised labour has been the key sector which has defended the public sector, and argued for its expanded role. This has included mobilising around issues such as cutbacks in personnel, shortage of resources for essential services, privatisation, living wage for public sector workers, etc.

Work has been done to mobilise other sectors of society behind these issues, including service delivery conferences, the jobs and poverty campaign, anti-privatisation campaigns, and so on. However, there is always the danger that elements in society will portray labour as purely pursuing 'selfish, narrow' interests in these campaigns. For example there is a tendency to portray all public service workers as lazy and corrupt, and to rubbish demands for job security, and decent wages on this basis. It therefore becomes imperative for organised labour and our allies to play an even more active and proactive role, in communicating to society the importance of having a well-resourced, well-staffed, and well-paid public sector, able to deliver decent public services, in order to improve the lives of our people.

Some important advances have been made in this respect. For example, there is now much broader acceptance of the dangers of privatisation, and the need to have strong public corporations delivering affordable, quality services. There is also greater recognition of the negative effects of fiscal cutbacks, and personnel shortages on service delivery. It was very significant in the recent public service strike that the tide of public opinion was clearly in favour of the workers. However, still more needs to be done to translate this into a powerful and sustained campaign to defend and expand our public sector, including at the level of local government. This should be combined with a more visible campaign against corruption and bad service in the public sector (at all levels, including management), and the highlighting of the positive work, which thousands of public sector workers are doing, under trying conditions.

As indicated above, scores of cadres from the trade union movement have taken up positions as people's representatives, government officials etc. Where elected, or deployed by the ANC, it has always been understood that these cadres are exercising the mandate of the movement, and as such are no longer directly accountable to the labour movement. However, this doesn't mean that their historical ties and experience magically vanish, or, in many cases, their desire to remain connected to the labour movement in some way. What we have been unable to do in a satisfactory way is to find a vehicle to retain and deepen this connection, and to avoid the process of alienation, which follows the loss of contact. This is not something, which can be achieved simply through our engagements in national and provincial legislatures. Perhaps we should consider an annual gathering of ex-trade unionists who are now in these key positions, and who want to maintain this link, to share experiences and perspectives.

I have outlined a number of subjective areas, which need to be addressed by labour itself to deepen the important role, which it has played in the transition. These include effective implementation of gains; creative strategies to contest the democratic space; greater and more effective representation on democratic institutions; campaigns to impact on the negative practices of business; the building of institutions of social capital; strategies to defend and consolidate the public sector; and deepening of links with public representatives from the labour movement.

Ultimately, our ability to more effectively shape the transition, in these or any other areas, hinges on the strength of our organisation. To the extent that we have been hammered by retrenchments, casualisation, contracting out etc., this has affected our power to impact on the transition. To the extent that service to our members is not maintained, education and political work with our base declines, this will limit the ability of our organisation to engage in a way that we are taken seriously. This also requires dynamism in our organisational approach, to adapt our methods to changing times. It will not take us forward to reminisce about the old days, or tell young workers about how we used to do things in the 1980's. While building on our best traditions, we need to ensure that our organisational approach remains relevant to the conditions of today and tomorrow. This means inter alia developing strategies to organise the vulnerable sectors, new types of work etc. It also means making the trade union movement attractive and relevant to the young generation of workers who are developing different cultures and consciousness, in this new era.

It was in recognition of these realities that COSATU set up the September Commission on the future of the unions in 1996, and the Organisational Review Commission in 2001. These processes have also culminated in the adoption of a programme called *consolidating working class power for quality jobs towards 2015* at Eighth COSATU National Congress in 2003. The ability of COSATU to translate these programmes into qualitative improvements in our organisation, as well as meeting the target of growing by 10% a year, will constitute the material basis for a greater role for organised labour in shaping our democracy over the next 10 years.

Again, we have been seen uneven implementation of the recommendations both of the September Commission and now the Organisational Review Commission. Generally the unions that are better organised and strong have taken full advantage of these recommendations while the union struggling unions have been the last to take advantage of the concrete steps that could assist with their challenges. Unions must simply adjust to the new situation or die a slow death – there are no two ways about that. Chris Bonner commissioned by NALEDI published a detailed analysis of this phenomenon, which unionists must read.

Consequently, but not only because of these weaknesses, COSATU has not been growing as fast as it did in the first five years of democracy or its fifteen years of existence, where we reached close to 1.9 million paid up members in 2000. Membership declined to 1.7 million in 2003. The recruitment campaign, which I am pleased to announce has been launched successfully, ought to address this decline. In your bags we included the recruiter manual which we have printed for 20 000 of our shop stewards.

Organisation is our key to open the doors at the political and economic levels. Without a strong organisation we are dead in the water.

EXTERNAL FACTORS - THE ROLE OF GOVERNMENT

At the beginning of this input, we outlined different dimensions of the key contribution labour has made to the transition since 1994. The hard reality however, if we analyse this period carefully, is that this contribution has often been made in the face of resistance, active or passive, including from some of those who are supposed to be driving the transition. Naturally we expected this resistance from our class opponents. However, it came as something of a shock to discover that important elements within our alliance, and within government, regarded labour with some suspicion, and even as a potential threat to the transition itself. We speculate below on possible explanations for this unexpected approach.

Whatever the reasons for this development, this meant that labour's contribution in key areas was limited, and sometimes even negated, by the adoption of approaches, which undermined the emergence of a common platform. In some instances, this was characterised by a hands-off approach, and refusal to engage, in others by the adoption of hostile positions. In other words, a worrying combination developed of the marginalisation of labour as a key partner in the transition, together with the adoption of elements of anti-labour positions.

Despite its contributions, the energies of organised labour have been under utilised as a factor in driving the transition. The extent of this becomes apparent when one looks at key elements of the transition, and consider what the outcome could have been if labour had been embraced as a key participant in this transformation project. We consider some of these dimensions below.

Fundamental to the character and direction of the transition, has been the manner in which *policy* has been determined. Of course there have been important examples of participatory policy formulation. However, the fundamental question must be around which class forces have determined the architecture and content of critical areas of policy. Apart from labour market policy, it is true in general to say that labour has not been included in a significant way in the actual construction of policy and determination of policy options. In most cases, we have largely had to engage after the architecture of this policy has been determined. Only then have we been able to make an impact, in some cases cosmetic, and in other cases more significant shifts, often despite resistance from government departments.

Business on the other hand has played a key role in the construction, particularly of economic policy. This has happened in a range of ways, whether directly, or through consultants, advisors, technocrats, or simply the existence of key pro-business bureaucrats in government departments such as in the Treasury or through golf course lobbying. Some have argued that the architecture of post-1994 economic policy was in fact determined during the pre-1994 negotiations period. This would help to explain the consistent exclusion of labour from determining this key policy area, the divergence from the agreed RDP platform and policy proposals of the movements own think tanks, such as MERG, and the ultimate declaration of GEAR in 1996 as 'non-negotiable'. Even today, the shifts in government's economic policy are largely the product of 'pressure from the outside', and not the result of an inclusive process of policy reformulation.

This exclusive approach to policy formulation has prevented labour from making decisive contributions in determining the direction of policy. Its contribution has largely revolved around a combination of 'after the fact' policy engagement, and pressure from below to change the trajectory of policy after it has been adopted. The sad irony of this, is that it is only after many years of knocking on an apparently closed policy door, that a partial shift has been made in the direction of what labour had been arguing, confirming that the original direction of policy was in fact incorrect.

This has happened or partially happened in a number of areas, including fiscal policy, housing policy, policy on the role of the public sector and parastatals, social welfare policy etc. While some may see these shifts as victories for labour, and there is no doubt that they are the product to a significant extent of labour's pressure, these are also seen as missed opportunities, which has exacted a high price. Some for example have spoken about the 'lost years' of 1994 -2001 in terms of fiscal policy, with the impact of the fiscal austerity still being felt for a long time to come.

Equally significantly, these shifts in policy direction, are not the product of an open and inclusive process, where errors are acknowledged, policy options are hammered out, and there is buy-in to a new policy direction. More often the shifts occur through the back door, are half-baked, and don't clearly resolve some of the contradictions which existed in the previous policy. This is also therefore a missed opportunity to correct previous errors, and embark on a coherent policy trajectory, which has the input and support of government's key constituencies.

There are important areas where labour has attempted to make inputs on policy options, which would have led to fundamentally different outcomes if adopted. Instead of these proposals being considered, in many instances, business-driven policies have been adopted, often with disastrous consequences. While not arrogantly claiming to have all the answers on all the issues, our view is that serious proposals we have made deserve serious consideration, and that in many instances the passage of time has demonstrated that a vastly better result could have been achieved, if our proposals had not been ignored.

For example, COSATU proposed, as early as 1995/6 two key measures, which would have had a major impact on the fiscus, and unleashed massive resources to address the apartheid social deficit. These were the reintroduction of *Prescribed Asset Requirements (PAR)*, which the apartheid regime had used extensively to leverage resources for investment in its projects; and the restructuring of the *Government Employees Pension Fund (GEPF)*, which had been deliberately over funded during De Klerk's rule, and artificially ballooned South Africa's debt. In the first instance, the introduction of Prescribed Assets Requirements, which would have required all retirement funds and the insurance sector to invest a certain proportion of investments in a government reconstruction bond, would have unleashed many billions annually for social investment.

In the case of the GEPF, changing the basis on which the fund was funded (which would simply have returned to the pre-1990 status quo) would have massively reduced the national debt, released billions of resources for social investment, and slashed the annual interest payments on the national debt.

Labour placed these proposals in its Social Equity document in 1996, tabled them in the Jobs Summit in 1998, and attempted to engage government on numerous occasions. The end result of all this was a refusal, particularly by Treasury, to seriously engage on the merits of the proposals. The bottom line, which emerged, was that there was no substantive basis for rejection of these proposals: in both cases a decision was taken about whose interests to privilege, even over the national interest. In the case of the *Prescribed Asset Requirements* it was simply argued that to reintroduce the Prescribed Asset Requirements would unsettle 'the markets', although no explanation could be forwarded as to why capital could live with them in the several decades preceding liberation.

In the case of the *Government Employees Pension Fund*, the view of Treasury officials was that the debt to the GEPF would act as a brake on any tendency of government to spend irresponsibly. There has therefore been no serious engagement on these proposals. Subsequent developments in these two areas raise further disturbing questions. In the case of the GEPF, a further movement to a 100% fully funded system has meant a substantial *increase* in the public debt owed to the Fund. And in the case of the Prescribed Assets Requirement, business has reneged on an agreement at the GDS to voluntarily channel 5% of the investments from the financial sector. Thereby re-emphasising the correctness of labour's view that a legislated requirement is necessary if these funds are to be channelled to areas of need.

To turn to another area: In the case of *housing*, COSATU argued from 1996, in response to the White Paper, that it was a mistake to adopt a market-led housing policy, in which the state relied on the financial sector to leverage finance. We argued that (1) the policy would exclude large sections of the poor and working people; (2) that it would entrench apartheid geography, with all its negative implications and (3) it would make the housing policy subject to the dictates of market forces, both in financing, construction, and property speculation. We therefore argued, and developed detailed research proposals, for: a mix of housing forms, but with a major component of public rental housing stock; the development of high-density, low rise housing on public land to be acquired close to the city centres; the adoption of labour-intensive construction methods to maximise the job creation potential of the construction, which should be overseen by a state company. Incidentally, it was proposed to finance this through a Prescribed Asset Requirement of 5%. A number of other detailed proposals were made to achieve the objective of affordable, well-located, public housing. Again, protracted attempts to engage government on these proposals were frustrated by dogmatic adherence to the market-led policies adopted in the 1996 White Paper. This is despite many of our concerns around the housing policy being vindicated by developments.

However, cautious movement was made in the Jobs Summit to modestly adopt the idea of rental housing as an element, albeit minor, of the overall strategy. Far more significantly, government announced an important policy shift last year, in the direction of what COSATU had proposed eight years previously. Unfortunately, even this was not the product of discussion with ourselves, and therefore we have not had the opportunity to make a direct input into this important debate.

Other examples where labour has been effectively excluded from determination of policy options on key debates, despite having developed coherent alternatives to the policies ultimately adopted by government, include: strategies for employment creation; trade and industrial policy; issues of monetary policy, including inflation targeting (whose dangers we correctly predicted) regulating the currency, and capital controls; fiscal policy issues,

including restructuring of the tax system, an approach to budget deficits, and programme-based budgeting; proposals for restructuring the public sector; social delivery, national health insurance and the issue of comprehensive social security. The list goes on. In most of these areas, we have had to fight a rear-guard action to limit the damage of business-driven policies, or roll back these policies. In some cases gradual shifts have developed over time, which have cumulatively moved government gradually in the direction which labour had proposed. However, as indicated above, these shifts are not coherent, and contain within them many contradictions. This leads to the danger that progressive shifts become frustrated, because important areas of policy pull in opposite directions. We return to this issue later.

Apart from the issue of policy, government and the ANC as ruling party, has not taken advantage of the key role labour could have played in driving social transformation in a number of areas in the post-1994 period. For example, the attitude to public sector workers and their role in delivery of services, initially was largely informed by a paradigm which saw the public service as bloated, as a burden on the fiscus, as consuming huge resources into unproductive 'consumption expenditure', with public service workers themselves being portrayed as lazy and corrupt.

In this scenario, it then becomes difficult to mobilise tens of thousands of low paid health care workers, educators, police etc who are facing difficult conditions of understaffing and under funding of public services, as well as threats of retrenchments. Instead of recognising the sterling role of many public servants struggling to serve communities under difficult conditions, and winning their support and the support of public sector unions to improve delivery, and act against those in the public service who are corrupt or refusing to deliver, this approach led to demoralisation, and ultra-defensiveness amongst public sector workers. An alternative approach would be to include workers in a campaign of delivery, actively get their feedback on how to address problems in the sector (including the problems of poor management and corruption), and look at where it is required to invest more resources, including expansion of employment where necessary. However the philosophy of public service management, and the fiscal stance outlined above, make such an approach impossible.

Point is taken that in the recent past this rhetoric has been scaled down. With more and more of our leaders avoiding using generalised statements to condemn all public servants as being lazy. Increasingly we have seen more statements acknowledging that the state must be strengthened more and that we need more and not less public servants to deliver critical services to our people.

On a broader scale, the tendency by many in government to see organised labour, as well as other mass formations in civil society, as a threat, has limited their ability to embark on mass mobilisation campaigns, involving these constituencies, to support and defend progressive policies, which come under threat from vested interests. Examples of this have been the failure to mobilise the mass constituency in defense of health and labour policies, which came under attack from capital. In the case of health policies, COSATU took the initiative to mobilise its constituency in support of government attempts to lower the price of medicines, in the face of court challenges from the drug companies. However there has not been a broader mobilisation by government to consolidate this support.

In the past ten years we convened two conference of our public sector unions focusing on how we can transform the state and develop and deepen programmes such as batho pele and against corruption as the deliberate strategy to inculcate the culture of serving our people. There could have been a better handling of the matter between labour and government. Stronger partnership could have been developed for the public service as a whole, bearing in mind that it is led by a progressive movement, and with the revolutionary

trade unions in the complete majority; this could have created conditions for a more ideal relationship. Yet the relationship between government and public service unions had at times not provided the ideal relationship that would serve as an example to the rest of the economy. At times this relationship has been characterized by use of labels and antagonistic actions such as unilateral imposition of wage settlements.

In the face of attacks on progressive labour market policies, government failed to respond by jointly interacting with labour to defend these policies, despite business being unable to demonstrate their alleged 'unintended consequences' in the Review process or in NEDLAC's in 2000, and despite the fact that business was attempting to overturn policies which were the product of extensive negotiations in NEDLAC's. Labour and Government in concert could clearly have stopped these machinations of business dead in its tracks. However government chose to step back, and instead make highly problematic concessions to business. It was then left to labour to mobilise and directly defeat these attempts of business, through bilateral negotiations in the Millennium Labour Council, which excluded government. Allowing these forces unnecessary room to pursue their agenda, although defeated, created long term damage in various respects, which could have been avoided.

This failure to mobilise labour and other mass constituencies around a commonly agreed agenda, was part of a broader problem, which has characterised the post 94 period. The top down management of transition and sometimes closing the space for key constituencies of government led to demobilisation and near virtual collapse of mass organisations, or a huge reduction in their influence, in nearly all key sectors post—1994, except for the trade unions, and to a certain extent the church. These two elements- demobilisation and change from above- therefore excluded mobilisation of mass constituencies as a central element of driving change to countervail force to those resisting transformation.

A related area in which labour's contribution has been under utilised is connected to tricky issues in the transition, which require building of civil society coalitions, and careful negotiations skills. With its massive network of skilled negotiators and educators, from national to local level, the labour movement contains an invaluable resource in this regard, which in many respects has been untapped during the transition, outside of the workplace. Equally, the history of interaction between unions and other civil society formations, offers the potential for building civil society coalitions around projects linked to the transformation agenda- whether in health, education and literacy, rural development etc. Again, there appears to be an under appreciation of the role that labour could play in this regard, despite initiation by government of the *Letsema* initiative.

With the democratisation of the state and society, the opportunity has opened up to democratise governance at all levels, and ensure participation by mass formations, including labour in transforming these institutions. A key part of this process has been the reconstitution of the Boards of state and parastatal institutions. It has therefore been surprising to see the extent to which labour and other key constituencies have been either totally excluded from, or marginal to these processes. Whether the SABC Board, or those of the IDC, the DBSA, the parastatals such as Eskom, the HSRC, or many other institutions of governance, the tendency has been for business and technocrats to dominate the boards, and for labour and other mass constituencies to either be excluded or marginal to their functioning. This can only be understood as part of the broader vision of the role of mass formations in transformation, and the relative importance for example of the business sector to this project. This is contrary to the experience of a number of countries, which include labour on Boards, often with dual representation, with a workplace representative to protect the interests of workers in the Corporation, plus a national trade union leader, to look at broader national issues.

The labour movement in South Africa has demonstrated its consistency in relation to issues of morality, human rights, workers rights, and its defense of the constitution. It has also established its determination to speak out on issues affecting working people, vulnerable, and the poor. This strength of the labour movement as a powerful institution of working class morality has also not been adequately recognised in the attempts to reconstruct our ravaged and unequal society. The efforts made by labour to highlight issues such as poverty, inequality, the impact of gambling on the poor, and many other issues of social concern, would be more powerful if part of broader national campaigns to address such issues. Many refer to COSATU as the true moral mirror of the new democracy whose braveness and courage have earned it respect even amongst its ideological foes.

One of the most difficult challenges of the transition has been to transform the apartheid economy, which benefited a minority, into an economy, which benefits the majority of South Africans. It is generally accepted that when measured by the size of its economy, or GDP, in relation to the size of its population, South Africa is a relatively wealthy country, and is regarded as a middle income developing country; it is also agreed that when we measure the development and income of the majority of South Africans, we have the profile of a poor and underdeveloped nation. This dual reality captures the legacy of inequality and racial oppression, which our democracy inherited.

In addressing the task of transforming the economy, government obviously had to address the question of how to deal with the owners of private capital. However, two other dimensions of the economic power triangle had to be considered as part of the overall question of economic transformation. That was the economic power of the state, as the owner of public capital, and its use of state power to intervene in the economy. And secondly, the economic leverage and strategic position of the producers of wealth in the country, namely the workers.

Therefore a critical test for the transformation agenda was whether it clearly identified strategies to harness these three key dimensions of economic power to move our society from its apartheid structure, to deal with the huge disparities identified above. Arguably, the economic strategy embodied in Gear privileged the role of one element of the triangle that of private capital, to such an extent that the other two dimensions were subordinated to it. Recently, particularly in the last year, more determination is being expressed to harness and unleash the economic power of the state for developmental objectives. It is not yet clear, however, whether the political will exists to use the power of the state to discipline and direct private capital. In the past, this disciplining role has tended to work the other way round- i.e. private capital constraining and disciplining the state. At the moment the picture appears mixed, with private capital being allowed to continue wielding disproportionate power.

However, little appears to have been done to enhance and harness the economic power of labour to advance the transformation of the economy. If anything economic policies have tended to undermine the economic power of workers: labour has been asked to make numerous sacrifices in the name of making our economy more competitive, raising productivity etc. at the cost of jobs and income, while capital has enlarged its share of the economy. Workers wages as a share of GDP are down from about 57%% in 1992, to 52% in 2002 well below many other countries.

Limited initiatives have been put in place to democratise decision making in the workplace, mainly focusing on information sharing, and the idea of workplace forums, which have never won acceptance from organised labour. But the managerial prerogative remains largely similar to that obtaining during the apartheid era. The potential to harness workers knowledge of production to drive transformation of the economy, has not been promoted through structural interventions. Admittedly this is not simply the role of the state and public policy, but requires focused strategies by unions. Nevertheless an institutional framework is

required. The Sector Summit initiatives, which have been pioneered by labour, and supported by government in the Jobs Summit and GDS, begin to lay the basis for such an approach. However these initiatives remain essentially voluntarist in nature.

A more interventionist approach would promote the involvement of labour in strategic decision making. This could create the basis for labour to use its leverage for example to promote reinvestment in productive assets; promotion of labour intensive methods of production; and the adoption of a systematic focus on beneficiation. Further discussion would be required as to what policy tools should be used in South Africa to support these objectives, adapting international experience to our local realities.

At another level, there has been little progress in creating institutional frameworks to promote the collective economic power of labour, and harnessing it for social reconstruction. The most obvious area requiring state intervention relates to regulation of the retirement funds, which collectively control close to one trillion (or one thousand billion rand) in assets. Far from harnessing these assets for social investment, and introducing tighter investment requirements, the democratic state has declined as indicated above, to introduce Prescribed Asset Requirements, has allowed the shift from bonds to speculation on the Stock Exchange (at great cost to pensioners), and has allowed offshore investment by the funds, at a time when internal social and productive investment is so desperately needed.

Similarly, little intervention has taken place to develop the social sector of the economy, or for example, alternative financial institutions, although legislation on co-operatives is in the pipeline.

In summary, having looked at labour's own internal weaknesses, we have then identified a number of flaws in government's approach post-1994 which have retarded, or failed to promote, a more dynamic role for labour in driving the transformation process. These include: the exclusion of labour from the design of key areas of policy, and an over-reliance on the views of business; the hostile approach to public servants, combined with the contractionary fiscal stance between 1997 and 1999, which undermined the contribution of the public sector to transformation; the failure to mobilise mass constituencies in support of progressive policies, and a top-down approach to managing the transition; under utilisation of the negotiations and coalition building capacity of organised labour to deal with difficult social issues; exclusion or marginalisation of organised labour in governance of key state and parastatal institutions, and reliance on business and technocrats; failure to create a regulatory environment to promote the economic leverage of labour for social objectives, including through democratisation of economic decision-making, or to harness its financial muscle to this end.

Obviously organised labour, and COSATU in particular has to take responsibility for attempting to overcome these challenges, where possible, and addressing its own internal weaknesses. We will continue to do both things. However, the 'low road' scenario described above is very different in character, in terms of what can be achieved, to a situation where labour and a progressive government are mobilising around a common platform on key issues, and where the views of labour are actively sought and incorporated. While this does not mean that all contradictions are eliminated, it would create a structurally different relationship, and realignment of forces in society. This is what we are seeking to achieve.

Role of the Alliance

Clearly a central issue underpinning these problems has been the marginalisation of the Alliance from driving governance in the period since 1994. This is not a result of poor co-ordination or dysfunctional Alliance structures. The problem persists, regardless of whether Alliance structures meet. To the extent that these issues arise, they are merely a symptom of

a deeper political contradiction relating to how governance should be driven, and by which social forces.

To illustrate the point, the period since 1994 can be roughly divided into four phases:

1. The establishment of democratic governance and the RDP years 1994-5
2. The GEAR years 1996-2000
3. The 'post-Gear' phase 2001-2003
4. The developmental state 2004-5

These phases (especially 2-4) reflect important shifts in strategic approach. However, in reality, none of these shifts were negotiated or determined through a political process in the Alliance, or for that matter in the ANC. They were all the product of top-down processes, emanating from government. To the extent that the Alliance partners have impacted on these changes, this has largely happened as a result of pressure from below, and pressure from outside.

A question must be asked as to whether we have not see an 'elite transition', as claimed by certain critics? Possible explanations as to why the transition has been managed in a top-down way were outlined in a COSATU paper prepared for an Alliance 10 a side in February 2002. These included the possibility that a pact had been struck on key socio-economic issues in the post-1990 period; particular (conservative) conceptions of the limits and possibilities for transition in the era of globalisation; perspectives on the role of capital in the transition; fears of the potential destabilising role of mass formations; and the need for stabilisation in the face of potential counter-revolutionary threats.

Regardless as to whether these perspectives indeed informed the emergence of this top-down approach, an examination of each of these realities demonstrates that they no longer constitute a credible basis for adopting such an approach, if they ever did. The notion that a one-size fits all approach is required in the era of globalisation has been totally discredited, as the neo-liberal globalisation agenda has itself been plunged into crisis, and countries have sought alternative development paths. Secondly, capital itself, having been provided with the framework they demanded, has clearly failed to deliver their side of the 'bargain', namely large-scale investment. Thirdly mass formations, including labour have demonstrated that while they are bound to pursue legitimate demands, they are nevertheless able to act responsibly in pursuit of these objectives, and that they are most consistent in pursuing issues of national development. Finally, the threat of counter-revolution is no longer a material concern.

In this context, if there was ever the basis for an elite approach to the transition, something we seriously question, these considerations no longer obtain. In fact, it could be argued that the greatest obstacle to moving our transition onto a higher path in terms of developmental objectives is the lack of a truly inclusive approach, which could unleash the energies of our people.

In a COSATU Discussion paper presented to the Alliance "10 a side yesterday" (04 March 2005), we outlined four views about how the Alliance should relate to the state:

1. The Alliance dictates the detail of policies, which state departments then carry out. None of the Alliance parties supports this position, if only for practical reasons.
2. The Alliance sets strategic parameters for state actions. This would require that the Alliance identify key long run needs and review important policy parameters on a regular basis.

3. The ANC sets strategic parameters for state actions after consultation with the Alliance.

4. The government defines policies subject to ANC approval, and then the Alliance mobilises to support them.

The COSATU's Eighth National Congress in 2003 resolved that Alliance processes should allow full and equal participation by the parties, provide a platform to share information and develop common positions, permit a forum for discussion and debate, and ensure influence in parliamentary structures.

This resolution clearly aligns with the second view, which holds that the Alliance must collectively guide the state, without intervening in every detail. The other Alliance partners need to spell out their views as the basis for further discussion.

If we agree that the Alliance must ultimately shape the basic strategies of the state, then we must examine the shortcomings in the current situation. In particular,

1. The Alliance itself does not develop common positions, as noted above. This means it cannot hope to affect government strategies in a united fashion.

2. Second, the ANC does not seem to provide systematic guidance for government decisions. The impression is given that in almost every case government departments determine policies, which are then at best approved by the ANC without any chance of major change.

In effect, we are living with the fourth option. But this option is dysfunctional, since the Alliance partners cannot mobilise their members to support policies with which they are not in agreement or about which there has been no discussion.

Emerging Shifts, New Possibilities

Significant shifts have begun to take place, which signal the possibility of moving into a qualitatively new phase, both in terms of substance (actual policy) and process (a more inclusive approach). While we don't want to exaggerate the importance of these shifts, it would also be a mistake to dismiss them as purely cosmetic, despite the persistence of contradictory policy approaches.

As indicated above, the third phase of our transition (2001-2003) followed the formal completion of the five-year Gear project, and is therefore sometimes known as the post-Gear phase. More importantly, the possibilities of a shift from Gear was signalled by significant debates in the ANC and government about the need to go beyond the Gear approach; and the corresponding emergence of a moderately expansionary fiscal stance during this period. Nevertheless many of the fundamentals of Gear remained in place. Shifts took place within the parameters of its broad approach on the role of the public sector, privatisation, trade policy, monetary policy, as well as fiscal policy.

However, from the end of 2003, after the Growth and Development Summit, and coinciding with the run-up to the 2004 elections campaign, significant shifts began to emerge, indicating the possibility of movement towards a fundamentally new development path. Much of this took place within the conceptual framework of the 'two economies' thesis articulated by President Thabo Mbeki, which argued that economic growth was not effectively addressing the problems of poverty and economic marginalisation of the majority. In other words, it was making an argument for a qualitatively different type of growth and development path. Higher economic growth by itself would not resolve the development challenges facing the country.

It was in this context that the highly significant decision to move away from privatisation of state enterprises, and to embark on a more aggressive programme of state intervention in the economy, was taken. The decision to leverage public resources in a focused way for development included the dimensions of a greatly expanded programme of investment by the parastatals; the programme of expanded public works; and the emphasis on expanded investment in infrastructure by the fiscus. Also significant were indications that government was moving away from Gear's ideological adherence to the notion of a slim state, and in fact was placing greater emphasis on the investment of resources to build state capacity, and equally significantly, the admission that there would need to be a substantial expansion of personnel in key areas of service delivery. There were also indications that a rethink was taking place of market-driven policies in certain important areas, such as housing. Despite all the heat generated by the debate about social security and the Basic Income Grant, the reality is that government has accepted that income transfers play an important developmental role in the context of mass poverty, and the massive extension of social grants (while still inadequate) is a clear indication of this.

On the face of it a number of COSATU's key demands appear to have been taken on board. However, as outlined below, the picture is far more complex, and subject to major qualifications. A number of reasons underline the apparent shift. These include: the fact that the major success stories, particularly in terms of service provision have been driven by the public sector, including the parastatals, and not the private sector. Secondly, the failure of business to deliver, despite adoption of the policy framework they had demanded, and recognition that the state would have to step in. Thirdly poverty and mass unemployment have stubbornly remained one of the features of the transition despite the roll out of services. Fourthly, growing international acceptance of the need for greater intervention by the state in development, and the fact that many neo-liberal prescriptions, such as privatisation, had failed. Fifthly, the realisation that fiscal austerity had created damage to the capacity of the public sector, and that resources had to be invested to build its capacity. And finally, the impact of campaigns around jobs and poverty, privatisation etc and growing concern within the ANC's own structures that the existing approach was not delivering results. Nevertheless, as is argued below, the extent of this shift should not be overemphasised. There is as yet insufficient evidence that there is a coherent new strategy; only that there is some recognition that the old strategy is not working.

An analysis of different areas of policy currently reveals a mixed and contradictory picture. Progressive developmental interventions are combined with approaches, which are likely to defeat the good intentions of the policy. For example, the stress on rolling out parastatal investment and infrastructure is combined with a focus on 'lowering the cost of doing business', which inter alia entails limiting cross-subsidisation by business of the poor. This focus on cost-recovery is reinforced by the growing trend towards PPP's and reliance on the private sector to leverage resources for the public sector. The combination of these approaches is likely to frustrate the delivery of affordable services. At another level, the focus on employment is contradicted by the continued emphasis on trade and industrial policies, which open our industries to virtually unregulated international competition, with all the negative implications in terms of job loss, and de-industrialisation. Finally, the continuation of contractionary monetary policies, and the rigid pursuit of inflation targeting, irrespective of its impact on growth and jobs, contradicts the idea of stimulating the economy through investment and fiscal expansion. Because the development of policies continues to be managed in a top-down fashion, it has not been possible to interrogate them politically in a coherent way.

Thus the danger exists of the emergence of uncoordinated and contradictory policies, instead of ensuring that different elements of policy reinforce each other. In some areas

there even appears to be a policy hiatus, or lack of clarity as to where things are moving. It is therefore probably premature to say that a coherent strategic shift has taken place. Rather, it would be more accurate to say that the conditions now exist for such a shift to emerge. This makes it even more imperative to ensure an inclusive and transparent process of interrogating key policy areas, particularly in the Alliance, and ensuring the necessary alignment of mutually reinforcing policies, rather than allowing for policies to frustrate and undermine each other.

In conclusion

There can be no doubt that labour has made important gains in the transition. The entrenchment of workers rights in the constitution and the further elaboration in the progressive legislation is one of the biggest victories we are celebrating today. The roll out of basic services such as water and electricity to millions of our people and the creation of a largely democratic environment are some of the key achievement.

We however need to look concretely at this conference and beyond on how we can increase influence of labour in particular in the area of economic transformation. The 2015 plan provides us with useful strategies that we must pursue. The religious implementation of the 2015 is the only guarantor for the future of the labour movement.

Appendix 1 EXTRACT FROM “ACCELERATING TRANSFORMATION”

Pp139-141 ON GAINS AND SETBACKS (covering the period 1994-2000)

Significant achievements have included:

- The negotiation of a worker-friendly constitution;
- The negotiation of progressive labour legislation at the level of NEDLAC's (LRA, BCEA, Skills Development Act, Employment Equity Act, COIDA), successful defense of these laws in the parliamentary process, and the improvement of the Employment Equity Act, BCEA and COIDA at the level of parliament;
- Amendment of social security policy, and placing of the universal income grant on the agenda;
- Legal amendments securing a minimum 50% representation of workers on boards of retirement funds;
- Inclusion of certain progressive provisions in the Competition Act;
- Negotiating largely progressive legislation and policy on local government and water issues;
- Defence of progressive health legislation; and
- Pro-worker amendments to the Equality Act and Access to Information Act.

Partial gains have included:

- Amendments to the Small Business Act;
- Interim amendments to the Insolvency Act;
- Action against collusion by banks on interest rates;
- Limited shifts in housing policies to accommodate the demand for public rental housing;
- The inclusion of some COSATU demands in public works, procurement and migration policy documents (although some of these await finalisation);
- Mobilisation for progressive taxation, and defense of elements of the tax legislation against attempts to make them more regressive, including retention of VAT zero rating and resistance against increasing the VAT rate; maintenance of Secondary Tax on Companies; introduction of Capital Gains Tax; and increasing the progressivity of income tax.

Actions to block problematic legislation or policies, or limit the damage of proposed measures include:

- The blocking of legislation (and the drafting of an alternative Bill) dealing with employers access to the pensions surplus;
- Restricting exemptions of lenders from interest rate limits under the Usury Act;
- Limiting the extent of reduction of Child Maintenance Grants;
- Opposing a totally flawed Money Laws amendment Bill; and
- Limiting the negative elements of policies and legislation on the public sector in terms of downsizing.

Significant setbacks include:

- Macro-economic policy, which has had destructive effects not only in the area of fiscal and monetary policy, but many other areas of government policy, including social delivery, industrial policy, public sector, local government, and now labour policy;
- The BCEA Ministerial Determination on Small business;
- Attempts to block extension of the UIF to public service workers;
- Failure to introduce a Bill to empower parliament to amend the budget;
- Introduction of a MTEF which entrenches GEAR parameters on a rolling basis;
- Reduction of corporate tax;
- Reduction of skills levy to ½%;
- Failure to introduce national health insurance;
- Continuation of tariff liberalisation and trade agreements with negative job impacts;
- Unilateral privatisation/ restructuring of state enterprises;
- Corporatisation of Eskom via Eskom Bill;
- Restructuring of energy sector without consultation on energy policy;
- Failure to implement pensions top-up agreement for low income earners;
- Failure to restructure government pensions fund to release resources for delivery;
- Inflation targeting based on a restrictive target;
- A Procurement Act which excludes worker-friendly measures contained in the Green Paper; and

- Private sector driven transport and housing policies.