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**MAKING VISIBLE THE INVISIBLE: CONFRONTING SOUTH
AFRICA'S DECENT WORK DEFICIT**

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EXECUTIVE SUMMARY

In order to develop appropriate labour market policies, the Department of Labour (DoL) commissioned the Sociology of Work Unit (SWOP) to address three issues:

- to determine whether the data on the informal economy correctly captures the level of informal employment;
- to examine the linkages between formal and formal employment;
- to develop a framework for reducing the decent work deficits in informal employment.

The resulting report argues that national direct surveys of households, such as the biannual Labour Force Surveys issued by Statistics South Africa, are useful in measuring the numbers of those in employment, but that they are unable to measure the size and nature of informal employment. Such a task requires both a conceptual and methodological shift:

- It is necessary to reconceptualise the informal economy from its origins three decades ago as a description of the urban poor in developing countries to a recognition that informality does not only exist in small, unregistered enterprises but is increasingly found inside formal enterprises through the rapid growth of casual and sub-contracted work.
- It is necessary to develop a qualitative methodology that draws on ethnographic methods of research. This requires that the researcher enter the world of work and over a period of time – through observation, in-depth interviews, photographs and surveys – provide a more accurate account of the heterogeneous nature of informal work.

The report is introduced through the notion that South Africa is divided into two economies – a first economy of modern establishments and decent work, and a second economy consisting of a range of precarious and vulnerable forms of work and survival activities. The report argues that the notion of a second economy is a dramatic and accessible metaphor to describe the deep structural divisions in our economy, but that it should not be taken literally to mean that there are two geographically separate economies. Our five case studies demonstrate that the discourse that implies that South Africa has two geographically separate economies is misleading. Indeed, the so-called second economy is an integral component of total national economic activity, rather than a marginal or peripheral appendage to it. It is wrong to see the informal economy merely as a set of survival activities performed by the poor and destitute.

The report is divided into three sections.

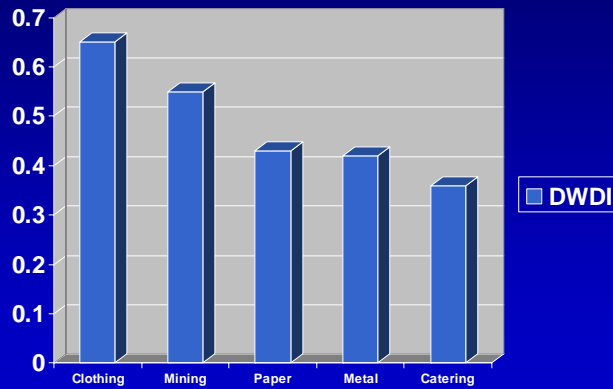
The first section uses value chain analysis to demonstrate the connections between the two economies. Five sectors were chosen to illustrate the heterogeneous nature of economic activities in the informal economy: small clothing factories in the Fashion District in the inner city of Johannesburg, sub-contracted workers in two platinum mines in North West, collectors of scrap metal and waste paper, and those who work in shebeens and taverns in Soweto.

The five case studies demonstrate that informality is best seen as a continuum where economic activities are connected in a hierarchical value or supply chain. Although the chains are closely connected, they express very unequal power relations. Put differently, the 'two economies' are asymmetrically interdependent. The producers (for example, those recycling paper or scrap metal) and those providing a service (for example, the owner-drivers and those working in shebeens) are captive to the product specifications of the buyers of these products and services. Although they purport to be self-employed, these workers are actually 'self-employed proletarians' working, for example, for the large paper and metal factories (Mondi and Scaw Metals) or, in the case of the owner-drivers, for South African Breweries (SAB).

The second section of the report makes 'visible the invisible' by describing this 'world underneath' and by developing a Decent Work Deficit Index (DWDI) for the five case studies. Seven indicators of security are used as variables to define decent work. A nine-page questionnaire was implemented by the researchers in these five low-wage sectors. The questionnaire covered employment history, labour market security, employment security, job security, work security, skills security, representation security and income security. A composite index was then developed and the indicators placed on a range from 0 (absolute insecurity) to 1 (absolute security).

The index reveals that at the formal end of the value chain are employees with high levels of security and at the bottom are employees with low levels of security. We call this an informality continuum. At one end of this continuum we identified the existence of greater workplace security for clothing workers and mineworkers. At the other end of the continuum are those workers in shebeens and taverns, with the collectors in the recycling industry placed close to catering but slightly higher. The nature of these variations is illustrated below.

Decent Work Deficit Index



There are two key determinants of this informality continuum: the degree of representational security, and the location of the workers in the value chain. In terms of the degree of representational security, our research confirms that those sectors with representational security (such as mining and clothing) have higher levels of security in the workplace than those that do not have a collective voice (such as recycling and catering). The representational gap, therefore, is a key determinant of insecurity in the workplace.

However, there are two factors within mining and clothing that affect the degree of unionisation

- ❖ The size of the enterprise. Small clothing enterprises – cut-make-and trim (CMT) enterprises – are less likely to be unionised than medium-sized enterprises. When it comes to union density, the size of the enterprise counts.
- ❖ The nature of the employment relationship. Employees in standard employment relationships enjoy considerably better conditions than those employed by labour brokers.

In terms of the location of the workers in the value chain, those producers at the bottom end of the chain are captive to the product specifications of the buyers who are driving the value chain. Conventional trade union strategies of workplace bargaining are very difficult to implement in situations where workers are self-employed proletarians working on the street or where they are engaged in family labour from home.

Workers in the informal economy tend to have a set of very specific characteristics that can best be summed up as insecurity or as a decent work deficit. These social characteristics are not randomly produced; they facilitate workers' involvement in this form of work. The most striking social characteristic in our five case studies is the presence of immigrant workers, particularly undocumented, working in the clothing industry in the Fashion District and the platinum industry in Rustenburg and Brits. These include ethnic minorities, such as the Somalis in the Fashion District, older women, such as the waste paper collectors, and children working in the shebeens.

In Section Three, the Report discusses the need for a new regulatory framework to overcome the economic and social dualism which exists in South African labour markets. The current system of labour market governance was designed to meet the needs of the former situation. The second type of workers need to develop new forms of organisation that can improve their influence at various points in the value or supply chain. This requires that the Department of Labour develop a more active labour market policy by exploring ways of intervening in supply chains to construct a different set of relationships.

This regulatory mix can be done in three distinct ways:

1. By exploring the possibilities of regulating labour standards via supply chains by disrupting the flow of goods or services from those buyers who do not comply with decent work standards.
2. By exploring the possibility of outlawing labour brokers that merely act as employers of sub-contracted labour.
3. By exploring the possibility of the Department facilitating the introduction of labour market intermediaries who do not replace employers through a commercial contract but, instead, recruit among the unemployed, especially the youth, train them, and then place them in decent jobs. This involves the creation of labour market institutions that are more active and aggressive in their relations to both sides of the labour market.

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List of Abbreviations and Acronyms

ANC	African National Congress
BCEA	Basic Conditions of Employment Act
BCOE	Basic Conditions of Employment
BER	Bureau for Economic Research [Stellenbosch University]
BRPM	Bafekong Rasimone Platinum Mine
CC	Closed corporation
CMT	Cut, make and trim
COSATU	Congress of South African Trade Unions
CSP	Customised Sector Programme
DBSA	Development Bank of Southern Africa
DoL	Department of Labour
DTI	Department of Trade and Industry
DWDI	Decent Work Deficit Index
EU	European Union
FAWU	Food and Allied Workers Union
FMU	Federated Miners' Union
GDP	Gross Domestic Product
ILO	International Labour Organisation
IMF	International Monetary Fund
LFS	Labour Force Survey [of Statistics South Africa]
LMI	Labour market intermediary
LRA	Labour Relations Act
NBC	National Bargaining Council for the Clothing Manufacturing Industry
NICLI	National Bargaining Council of the Leather Industry of South Africa
NSDP	National Spatial Development Perspective
NTBC	National Textile Bargaining Council
NUM	National Union of Mineworkers

PPE	Personal protective equipment
SAB	South African Breweries
SACCAWU	South African Commercial, Catering and Allied Workers Union
SACTWU	South African Clothing and Textile Workers' Union
SAMWU	South African Municipal Workers Union
SER	Standard employment relationships
SETA	Sector Education and Training Authority
SWOP	Sociology of Work Unit
TEBA	The Employment Bureau of Africa
TES	Temporary employment services
TETA	Tourism and Hospitality SETA
UIF	Unemployment Insurance Fund
US	United States
WHD	Wage and Hour Division [of the US Department of Labor]
WTO	World Trade Organisation

INTRODUCTION:

DEFINING THE DEBATE ON THE INFORMAL ECONOMY

An early idea in development studies was that developing societies could be conceptualised as ‘dual economies’ with one economy consisting of modern capitalist firms while the other comprised peasant households and communal land ownership. In development discourse it was assumed in the 1950s and 1960s that, following modernisation theory, these traditional economic activities would be transformed into dynamic industries that would absorb the rapid flow of people to the cities. This, however, did not happen. Instead the urban populations of the developing world grew dramatically, surviving on small-scale informal economic activities rather than on formal employment. It was the paper by Keith Hart (1973) and the International Labour Organisation (ILO) mission to Kenya (ILO, 1972) which established the importance of this dichotomy between formality and informality. These two studies marked the rise of the concept of the ‘informal sector’ to describe the unregulated and invisible activities used by the urban poor of the Third World to support themselves. The urban poor were not unemployed, these studies argued; they were working, although often for low and irregular returns. The implication of these research findings, policy advisers suggested, is that unemployment statistics give a misleading impression of the level of inequality, and that the informal sector was potentially a major contributor to the national economy.

Defining Informality

Over the next three decades an outpouring of research and policy focus followed. This “helped to organise thinking, served to structure official statistics, and generated a series of policy measures to ‘help’ the informal sector” (Guha-Khasnabis, Kanbur and Ostrom, 2006:33) However, in spite of its widespread use, a satisfactory definition of the informal sector remained elusive. Sindzingre (2004:4) has listed some descriptions typical of this growing literature:

Non-observed, irregular, unofficial, second, hidden, shadow, parallel, subterranean, informal, cash economy, black market, unmeasured, unrecorded, untaxed, non-structured, petty production, unorganised, to name just a few. There is no common understanding as to whether they refer to the same phenomena and if not, what the relationships are between them.

The arrival of neo-liberal governments in the United States and the United Kingdom in the 1980s, and the promotion of ‘structural adjustment’ by the World Bank and the International Monetary Fund (IMF), with their policy prescriptions urging poor countries to open up their markets and reduce public expenditure, fuelled the growth of interest in the informal sector in official policy circles. Informal work, it was argued, offered opportunities for innovation, more flexibility, access and empowerment for marginalised workers like immigrants and women. Indeed, Hernando De Soto (2000) claimed that if formal property rights could be extended to the poor they could use these assets as collateral. The removal of the red tape that makes it difficult to set up businesses, he argued, would release the invisible entrepreneurial energies that hold back the development of capitalism in the developing world.

The characteristics of the formal and informal sectors are captured in Table 1.

Table 1: The 1970s perspective: economic activities in the formal and informal sectors

Formal Sector Economic Activities	Informal Sector Economic Activities
Difficulty in entry by new enterprises.	Easy entry into the activity concerned.
Frequent reliance on overseas resources.	Reliance on indigenous resources.
Operating on a large scale in markets protected by tariffs, quotas and trade licenses. Often corporately owned.	Family ownership of enterprise.
Use of capital-intensive and often imported technology. Large-scale operations.	Small scale of operation.
Workers with formally acquired skills, often expatriates.	Labour-intensive or adapted technology.
Formally acquired skills.	Tacit skills acquired outside the formal school system.
Protected markets.	Unregulated and competitive markets.

Sources: ILO (1972); K. Hart (1973)

Originally the informal sector concept was applied to the self-employed urban poor in developing countries. In 2003 the International Conference of Statisticians expanded the definition of the informal economy from *enterprises* that are not legally regulated to *employment relationships* that are not legally regulated or protected. ‘Informal employment’ is now defined as being without formal contracts, worker benefits or social protection. This includes:

- self-employment in informal enterprises; workers in small unregistered or unincorporated enterprises, including employers, own-account operators, and unpaid family members;
- wage employment in informal jobs: workers without formal contracts, worker benefits or social protection for formal or informal firms, for households or with no fixed employer, including employees of informal enterprises and other informal wage workers such as casual or day labourers, domestic workers, unregistered or undeclared workers and temporary or part-time workers as well as industrial outworkers (also called home-workers) (Chen, 2005:7-8).

This broadening of the scope of the informal sector to include informal employment has led some to question the usefulness of the concept. Keith Hart (2007:5) argues in a recent retrospective article:

This extension of the scope of the concept of the ‘informal economy’ to embrace rich and poor countries, government and business, casual labour and the self-employed, corruption and crime – when taken with the wholesale devolution of central bureaucracies compared with forty years ago, leaves a question-mark over its continuing usefulness today.

But, as Hart goes on to argue, the value of the concept is that it allows one to understand how people devise their own means of survival in ways that are not “organised immediately as ruling elites would like” (Hart, 2007:5).

Similarly Bernstein and Woodhouse write of the “classes of labour” in Africa and the “growing numbers.... who now depend – directly and indirectly – on the sale of their labour power for their own daily reproduction.” They pursue their reproduction “typically through insecure and oppressive – and in many places

increasingly scarce – wage employment, often combined with a range of likewise precarious small-scale farming and insecure informal sector (survival) activity” (Bernstein and Woodhouse, 2006:158).

This heterogeneity of work in Africa and the ambivalence in class positions that this leads to is not new to African labour scholars. “There is,” wrote Cohen (1982:279-80) nearly three decades ago,

a large group of the population which is simultaneously and ambiguously semi-proletariat and semi-peasant... Equally within the favelas and shantytowns, large numbers of individuals who are sometimes described as unemployed or as sub or lumpen proletariat are in fact intermittently employed performing services or in small workshops employing a handful of workers and apprentices. In the case of this group, the ambiguity arises from the fact that it comprises people who can at the same time be considered self-employed or employees.

James Heinz (2006) has provided a useful way of overcoming the ambiguity over what differentiates a worker from a self-employed entrepreneur, by suggesting that the common denominator between the two is whether individuals earn income by *selling their labour* in some kind of a market – either directly on a wage-labour market, or indirectly through some form of product market. The dividing line between ‘worker’ and ‘entrepreneur’ may not be clear-cut, he concludes, but individuals who derive the vast majority of their income from their labour and are dependent on others for the realisation of these earnings can be considered workers.

This shift in views of the informal economy over the past three decades is captured in Table 2.

Table 2: Old and new views of the informal economy

The old view	The new view
The informal sector is the traditional economy that will wither away and die with modern, industrial growth.	The informal economy is here to stay, and is expanding with modern, industrial growth.
It is only marginally productive.	It is a major provider of employment, goods and services for lower-income groups. It contributes a significant share of

	GDP.
It exists separately from the formal economy.	It is linked to the formal economy – it produces for, trades with, distributes for and provides services to the formal economy.
It represents a reserve pool of surplus labour.	Much of the recent rise in informal employment is due to the decline in formal employment or to the informalisation of previously formal employment relationships.
It is comprised mostly of street traders and very small-scale producers.	It is made up of a wide range of informal occupations – both resilient old forms such as casual day labour in construction and agriculture. as well as emerging new ones such as temporary and part-time jobs plus homework for high-tech industries.
Most of those in the sector are entrepreneurs who run illegal and unregistered enterprises in order to avoid regulation and taxation.	It is made up of non-standard wage workers as well as entrepreneurs and self-employed persons producing legal goods and services, albeit through irregular or unregulated means. Most entrepreneurs and the self-employed are amenable to, and would welcome, efforts to reduce barriers to registration and related transaction costs and to increase benefits from regulations. Most non-standard wage workers would welcome more stable jobs and workers' rights.
Work in the informal economy is comprised mostly of survival activities and thus is not a subject for economic policy.	Informal enterprises include not only survival activities but also stable enterprises and dynamic growing businesses. Informal employment includes not only self-employment but also wage employment. All forms of informal employment are affected by most (if not all) economic policies.

Source: Chen (2005:12)

The South African Debate

In 2003 the South African policy discourse shifted from a narrow focus on global integration and competitiveness to acknowledge that the state will have to redistribute resources actively in an effort to overcome the social crisis caused by poverty. The new thinking was organised around the concept of 'two economies'. In his February 2003 State of the Nation address, President Thabo Mbeki

described the division between these as a ‘structural fault’: “The one is modern and relatively well developed. The other is characterised by under-development and an entrenched crisis of poverty.” The second economy, he suggested, is structurally disconnected from the first economy and is incapable of self-generating growth and development. What is required, the government proposed, is state intervention through a series of programmes such as micro-credit for the poor, agrarian reform, intensified skills development, the extension of public services and “a massive public works programme”. In other words, there is a need to transfer resources to the second economy and to empower the working poor and those in the informal economy. Through these programmes, the government believes the second economy will end its marginalisation and be integrated into the first economy.

This shift in discourse provided an important rationale for shifts in government strategy – the adoption of a National Spatial Development Perspective (NSDP) to alleviate the distortions of the inherited apartheid space economy; a focus on public works programmes, with the launch of an Extended Public Works Programme; and small business development initiatives, including micro-finance interventions (Development Bank of Southern Africa, 2005). These initiatives, and others, were accompanied by a shift in emphasis from privatisation to acknowledging the state’s role in stimulating economic activity, leading to the re-emergence of a debate in South Africa around the development state. Indeed, the idea of the second economy rapidly emerged as the organising concept “for politicians, journalists, activists and academics alike and an integral component of contemporary jargon...” (Faull, 2005:9).

The idea of two economies provided a dramatic and accessible image to describe the deep divisions in South African society that are the legacy of apartheid, and to explain the necessity for large-scale redistribution of resources in order to tackle poverty and inequality. The elusiveness of the concept allowed for very different responses to it. On the one hand, it was used by liberals to promote an essentially

De Sotetan package of measures that would supposedly liberate the entrepreneurial potential waiting to be tapped in the informal sector (Du Toit and Neves, 2007:148) On the other hand, it triggered a debate among scholars in the Marxist tradition, who see it as a form of neo-modernisation theory and have revived the fascinating critiques of the ‘dual economy’ thesis initiated by Harold Wolpe over three decades ago. Although Wolpe did not use the concept of a second economy, his analysis of how the articulation of two modes of production – capitalist and pre- or non-capitalist – facilitated the super-exploitation of African workers within a single capitalist economy has provided the space for the identification of a range of theoretical problems with the notion of a second economy (Burawoy, 2006; Bond, 2007; Frye, 2007; K. Hart, 2007; Legassick, 2007; Masondo, 2007; Sitas, 2007).

Clearly the concept of a second economy is a metaphor that should not be taken literally to mean that there are two geographically separate economies. Indeed, as Du Toit and Nevens (2007:150) argue, “given the abundant evidence of a long history of incorporation and integration, [the proponents of a second economy] would be hard-pressed to do so”. Instead, the notion of a second economy is best seen as a form of short-hand to describe the deeply segmented nature of an extremely unequal economy. Von Holdt and Webster (2005) described the labour market as divided into three zones of work – the core, the non-core and the periphery. These zones, they argued, were asymmetrically interdependent, with the third zone increasingly marginalised under the impact of marketisation. They went on to demonstrate, through seventeen case studies, that the formal economy increasingly makes use of informal employment through sub-contracting, outsourcing and casual labour. In other words, when talking about the second economy or the informal economy, we should not only look at the type and size of the enterprise but include the type of employment.

By looking at formal enterprises that have informal employment, one can begin to describe and understand levels of insecurity that exist within these enterprises. Table 3 helps to illustrate this point.

Table 3: Dimensions of informality

Production units	Type of employment	
	Formal	Informal
Formal enterprises	1	2
Informal enterprises	3	4

Source: Devey, Skinner and Valodia (2006:312)

In Cell 1 are employees in standard employment relationships (SERs). By this we mean those workers who are employed on a full-time and indefinite basis; there is a direct relationship between employer and employee, and the employee works at the workplace provided by the employer. In Cell 2 are subcontracted workers with different degrees of informality; they work for a formal enterprise where the work is either casualised or has been externalised² to a third party such as a labour broker. Cell 3 consists of formal employees that are hired by an informal enterprise. Finally, Cell 4 represents what has traditionally been understood as the informal sector: micro and small unregistered enterprises such as spaza shops, shebeens, sweat shops and street traders, as well as fly-by-night subcontractors and illegal workers who work inside these enterprises.

The growing informalisation of employment in the formal economy through subcontracting and casualisation has far-reaching policy implications for our system of labour relations. The assumption underlying the new labour relations regime introduced in 1995 was that it would bring all employees into one industrial relations system with the SER as the foundation. The growing informalisation of

² “Externalisation is when employment is taking place via an intermediary or contractor who has a commercial contract with the employer” (Theron, 2005:298).

work has undermined this foundational idea as many workers do not have regular full-time, indefinite contracts and may, as a result, be excluded in practice from the operation of many labour laws and the new regulatory framework.

As Jacob Zuma, the newly elected President of the African National Congress (ANC), using the notion of two economies, remarked in a recent interview:

The trade unions are a reflection of the first economy... the second economy is neglected by all of us. Is it not possible to have the flexibility so that you address both the first and second economy (quoted in Paton and Theobald, 2008:39).

Zuma is quite right to raise the neglect of the excluded, disconnected and shadowy-world of the second economy. As Du Toit and Neves (2008:151) argue,

For all the currency of second economy talk, the paradoxical fact is that in the national debates about poverty and underdevelopment not much attention has been directed to exploring in detail the livelihoods of the marginalised poor themselves, the precise nature of their links with the mainstream economy, and what this means for their social and economic (dis)empowerment.

The value of the concept, they conclude, is that it asks us to imagine the South African economy as systematically segmented and to explore ways in which poor people may be systematically disadvantaged by the way they are inserted into the broader economy (Du Toit and Neeves, 2007:169).

Our Approach

Our approach in this study rests on three theoretical assumptions. Firstly we believe that the nature of the links between the formal/first and informal/second economies is central to an understanding of how inequality is reproduced. In order to understand these unequal power dynamics in a single economy, we use commodity chain, supply chain or value chain analysis. However, we broaden conventional chain analysis to include what may be called a labour benefit approach by examining wages and work conditions at different points in the chain. (Lund and Nicholson, 2003)

Secondly, although it is a unitary economy, the forms of informal economic activity and self-employment are very heterogeneous. In order to identify this heterogeneity and the vulnerability of these forms of work, we develop a Decent Work Deficit Index (DWDI). The concept of ‘decent work’ was developed by the International Labour Organisation as a way of promoting opportunities for women and men to obtain productive work, in conditions of freedom, equality, security and human dignity (Ghai, 2003). It applies not only to workers in the formal economy but also to unregulated wage workers, the self-employed and home-workers. Decent work emphasises the importance of workers engaging in social dialogue, where they can present their views, defend their interests and negotiate over wages and working conditions with employers and authorities (Ghai, 2003:113)

In order to develop a Decent Work Deficit Index, we adapted Standing’s (1997:8-9) seven variables of security in the workplace:

- *Labour market security*: employment opportunities in the sector;
- *Employment security*: protection against arbitrary dismissals;
- *Job security*: opportunities to build a career and increase income;
- *Work security*: protection against accidents and illness at work, and limits to working time;
- *Skills reproduction security*: opportunities to gain and retain skills;
- *Representation security*: protection of collective voice in the labour market through independent unions and employers’ associations;
- *Income security*: regular minimum income and comprehensive non-wage benefits.

Our third theoretical assumption is that the restructuring of the first economy is generating an increased burden of poverty on the second. There are a number of reasons for the growth of the informal economy in industrialised countries. At the centre of any explanation is the power of organised labour. In this view, unions

appear simultaneously “an obstacle to capital accumulation and as a corporatist pressure group eager to defend its interests even at the expense of organised workers” (Castells and Portes, 1989:28-9). Castells and Portes refer to European countries, such as Italy, where unions won major victories in the late 1960s. A similar case could be made in South Africa, where those sectors that have experienced the most rapid informalisation are those with the highest rate of unionisation, such as mining and the clothing sector.

A second reason for the growth of the informal economy is that it is a reaction against the state’s regulation of the economy. The clearest example is the South African liquor industry, where illegal shebeens emerged because the former racist government made the sale of liquor to Africans illegal. Later, when it was legalised, shebeen owners often resisted registering because of the very difficult criteria to license them as taverns with the new regulations.

A third general cause is the impact of international competition. This has occurred throughout the clothing industry, where large-scale factory production has been decentralised and replaced by the emergence of homework and subcontracting.

The final cause is the contraction of formal employment through the process of the global restructuring of work. This has been especially acute in developing countries that have experienced a contraction of public-sector employment through the introduction of structural adjustment policies while simultaneously failing to attract significant amounts of foreign direct investment. In South Africa the growth of informal employment has been accelerated by the lifting of apartheid restrictions on street trading and the spread of spaza shops in suburban areas.

There are several results emanating from the informalisation process. The main effect is to reduce wage costs, especially indirect costs, through the lack of benefits. As Castells and Portes (1989:30) argue, “By lowering the cost of labour

and reducing the state-imposed constraints on its free hiring and dismissal, the informal economy contributes directly to the profitability of capital.³

It also undermines, Castells and Portes continue, the power of organised labour in all spheres: economic bargaining, social organisation and political influence:

Undeclared, unprotected labour: small units of production; networks rather than socialised labour processes; homework rather than factories; unstable relations of production; multiple intermediaries between labour and capital; segmentation of labour along age, gender, and ethnic lines; dependence of the job upon the absence of legal control (Castells and Portes, 1989:31).

All these factors, they conclude, “contribute to the de-collectivization of the labour process and to the reversal of the material conditions that historically allowed the emergence of the labour movement as an organised force” (Castells and Portes, 1989:31).

It also, they argue, blurs class differences through the emergence of intermediaries:

There are still exploiters and exploited, work authority relationships and submissive work; yet between the structural logic of production and appropriation of the product and the actual social organization of these processes, there are so many mediations that the experience of labor and the emergence of stable class positions do not correspond to each other any more. Thus, the women sewing at home for a ‘friend of the family’ who is a middleman selling to a commercial intermediary of a large department store, cannot be socially equated, nor does she equate herself, with a garment-factory worker (Castells and Portes, 1989:31).

Finally, they argue, the heterogeneity of working situations is generally reinforced by the specific characteristics of the workers who tend to be involved in the informal economy – women, immigrant workers, ethnic minorities and the young. “It is in this sense that the process of informalisation tends to reinforce some specific social groupings that differ markedly from those associated with stable class lines” (Castells and Portes, 1989:32).

³ See also the comparative study of the United States and Germany (Mitlacher, 2007). The study found a similar pattern of employers evading labour laws and costs, and attempts at avoiding union organisations.

Castells and Portes conclude their powerful argument by asking whether this trend will continue to grow in opposition to what conventional development theory considered a pattern of formal labour absorption. On the one hand, they see powerful groups resisting this process – groups such as organised labour, official bureaucracies, new generations of workers who want to impose some form of social control over informalisation, and the state itself which may have to counter unconstrained capital (Castells and Portes, 1989:32-3). The outcome, they suggest, is uncertain. What seems clear is that a return to the vertical, centralised, assembly-line model of industrial production is unlikely in the medium term.

Structure of this Report

In our first report for this project we investigated the extent to which Statistics South Africa's Labour Force Surveys (LFS), introduced in 2000, are capturing the heterogeneous nature of the informal economy (Benya et al., 2007). We concluded that the direct household survey method used by LFS – including the improved LFS Reengineered introduced in 2008 – is a limited method of accessing information on the informal economy because of, *inter alia*, the difficulties in access, the fact that the questionnaire cannot measure sub-contracting or outsourcing, and the unresolved question of the definition of the informal economy. We concluded by suggesting that

- the informal economy can best be conceived as a continuum with formality and a high level of security at one end and informality and a high level of insecurity at the other end; and
- there is a need to supplement the LFS direct survey method with more qualitative methods of gathering data.

This report begins in Section One by examining the links between the formal and the informal economy. In Section Two we develop a Decent Work Deficit Index as a way of identifying vulnerability in informal employment. In

Section Three we suggest the need for a new regulatory framework to overcome the decent work deficit arising from economic and social dualism.

SECTION ONE:

IDENTIFYING THE LINKAGES BETWEEN THE FORMAL AND THE INFORMAL ECONOMY

The linkages between the formal and the informal economy are illustrated here through five case studies. The first case demonstrates how the informal is embedded in the formal in the mining of platinum in Rustenburg and Brits. The second, through a case study of South African Breweries (SAB), describes the way in which the distribution of beer is dependent on the shebeens in the informal economy, described as a producer-driven value chain. The third shows how production has been increasingly decentralised in the clothing industry through the outsourcing of clothing production to informal enterprises. This is described as a buyer-driven value chain. The case study is drawn from the Fashion District in the inner city of Johannesburg. The fourth and fifth case studies are drawn from the recycling of waste – paper and scrap metal – in and around Johannesburg.

There are two ways of approaching the value chain – as a buyer-driven chain, or as a producer-driven chain.

The buyer-driven value chain is most common in the apparel and shoe industries. In these industries large retailers, brand-named merchandisers and trading companies play an important role in setting up decentralised production networks in a variety of exporting countries. In this commodity chain the apparel companies are involved in marketing and designing the products, while the actual production occurs in factories in third-world countries. This type of chain is concerned with aligning the different parts of the chain to make the product more competitive and profitable (Gereffi, 1994:97).

Producer-driven commodity chains occur mainly in capital-intensive and technology-intensive industries such as the automobile industry and the production of beer. Another distinguishing feature of the producer-driven

commodity chain is the control exercised by the administrative headquarters of transnational corporations (Gereffi, 1994:97). Producer-driven chains consist of multilayered production systems wherein there are thousands of firms – “parents, subsidiaries and subcontractors” (Gereffi, 1994:97). Even though producer-driven and buyer-driven commodity chains are seen as mutually exclusive they can be seen as opposite ends of a single spectrum.

Case Study 1: Mining

Platinum mines are situated in cell 2 of Table 3, where there is informal employment within formal enterprises. It is quite common for mines to externalise both core and non-core activities to third parties in order to lower labour costs. Subcontracting is one of the many ways used by employers to make the labour market more flexible.

Subcontracting involves a shift away from the standard employment relationship where there is one employer and one employee, towards externalisation where there are many intermediaries and employees work in places that are not owned by their immediate employer. Traditionally subcontracting involves taking a specific but limited function that a company used to do in-house, hiring another company to perform that same function and then reintegrating their work into the overall operation (Friedman, 2005). However, work in the flexible economy has introduced a number of variations to the notion of subcontracting (see Table 4).

Table 4 Variations in subcontracting

Type	Function	Example
Specialised subcontracting	Provides skilled expertise to employers	Shaft sinkers
Labour subcontracting	General labour broking: <ul style="list-style-type: none">• temporary employment services (TES)• time-based	JIC Labour Brokers
Job subcontracting	Providing task-based employees	Construction companies such as Murray & Roberts
Gang subcontracting	Team of workers provided by a former supervisor or senior worker	Early craft unions in the South African mining industry

Subcontracted workers differ from SER workers in that they do not enjoy the same security and regularity, with the exception of those with high-level skills such as in the specialised subcontracting category (Type 1). Their earnings are usually lower and irregular, and they do not have benefits and contracts of employment. It is difficult to regulate and enforce labour standards for subcontracted or casual workers because they are not directly hired by the nominal employer. These workers are unlikely to be protected by labour legislation. They are also excluded from contributory schemes since such schemes are premised on an employment relationship (Theron, 2005).

Furthermore, externalisation of work ensures that employment is externalised, with all the risks and responsibilities that go with it. Kenny (2007) argues that labour brokers exist in order to absorb externalised risks and to enhance contract workers' insecurity and ambiguous employee status. This ambiguous status makes it hard to regulate and enforce labour standards for externalised workers or casuals because they are not directly hired by the nominal employer.

The increase in subcontracting has been followed by an increase in labour broking. The 1983 amendments to the Labour Relations Act (LRA) deemed labour brokers to be employers of the employees they procure or provide. The ILO in 1997 also accepted the notion that a private employment agency may be an employer. The 1995 LRA retained the notion of brokers as employers; section 198 states:

- (2) A person whose services have been procured for or provided to a client by a temporary employment service is the employee of that temporary employment service, and the temporary employment service is that person's employer.
- (3) Despite the above, a person who is an independent contractor is not an employee of a temporary employment service, nor is the temporary employment service the employer.

As a result of this statement in the Act, labour brokers view subcontracted workers as independent contractors who no longer have the protection of the statute. Without this employment relationship social protection is eroded. Theron (2005) argues that externalisation has the effect of shifting employees into precarious employment relationships that hinder the ability of workers to make full use of their rights in terms of the labour statutes. However, the Labour Relations Act goes further; the next paragraph in section 198 states:

- (4) The temporary employment service and the client are jointly and severally liable if the temporary employment service, in respect of any of its employees, contravenes-
 - (a) a collective agreement concluded in a bargaining council that regulates terms and conditions of employment;
 - (b) a binding arbitration award that regulates terms and conditions of employment;
 - (c) the Basic Conditions of Employment Act; or
 - (d) a determination made in terms of the Wage Act.

The above legislation enabled nominal employers to evade labour laws and pass the responsibility to labour brokers since they, too, were regarded as employers. Theron *et al.* (2005) argue that, since the new LRA significantly increased the contingent costs of employment, many employers opted for labour brokers instead of directly hiring workers themselves.

This observation is borne out in the mining industry where there has been a shift towards the subcontracting of core mining operations. This shows that subcontracting is not new; rather the trend of the neo-liberal era is that companies are now outsourcing core duties. Figures 1 and 2 show the growth of these different types of workers in the mining industry from 2003 to 2005. It should be made clear that workers are not, at any stage, confined to one region. Workers always move from the SER towards the outer rims where employment is precarious or non-existent.

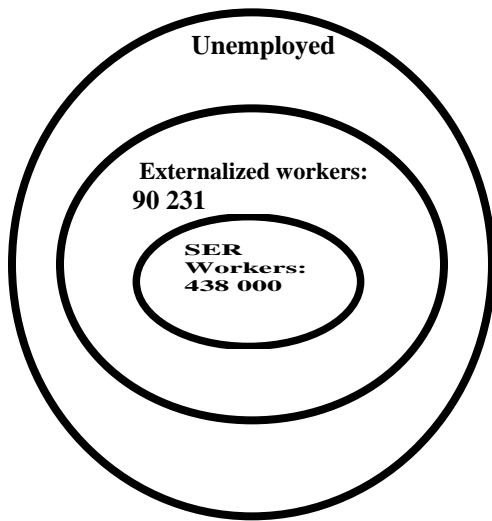


Figure 1: Mining Labour Market in 2003
(Statistics from Dept. of Minerals and Energy Data, 2005, unemployed figures not available.)

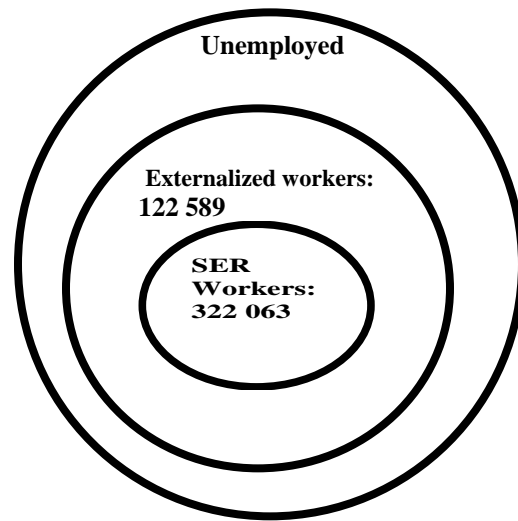


Figure 2: Mining Labour Market in 2005
(Statistics from Bezuidenhout: 2006, unemployed figures not available)

The latest statistics consulted reveal that 28% of the mining industry has been subcontracted, with platinum having the largest number of subcontracted workers at 36% (Bezuidenhout, 2006). Table 5 further illustrates the extent of subcontracting in various mining sectors.

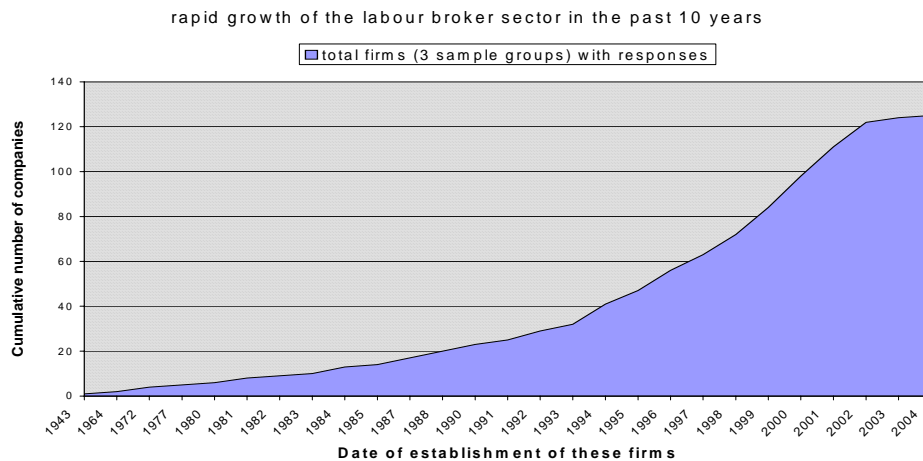
Table 5: Externalisation in the South African mining industry by sector, 2005

Mining Sector	Average Total Workforce	Average Number of SER Employees	Average Number of Externalised Workers	Externalised Percentage of Total
Gold	160 620	137 234	23 386	14.6
Platinum	155 769	100 136	55 633	36
Diamond	21 968	15 808	6 160	28
Iron	7 528	4 903	2 625	35
Copper	3 746	2 004	1 742	47
Coal	56 859	35 843	21 016	37

Note: Not all mining sectors have been included in this table; a few industries have been chosen as examples. Figures represent the averages for 2005.

Source: Department of Minerals and Energy.

Theron *et al.* (2005) argue that, since the new LRA significantly increased the contingent costs of employment, many employers have opted for labour brokers instead of directly hiring workers. As a result, there has been an increase in the number of labour brokers. Figure 3 illustrates the rapid growth of labour brokers.



Source: Theron et al., 2005

Figure 3: The rapid growth of labour brokers

Figure 3 clearly indicates that the number of labour brokers has increased from around 40 in 1994 to over 120 in 2004. This leads one to ask, why the rapid growth? Redford, who is a director at R & J, stated in a symposium organised by the South African Institute of Mining and Metallurgy (1999) that subcontracting is beneficial to employers because it transfers employee risks to the subcontractor, thus reducing direct exposure to labour legislation. Unlike gold and coal, which have centralised bargaining, the Chamber of Mines has never conducted collective bargaining on behalf of its platinum members. Instead, platinum mines have decentralised bargaining, and agreements are company-specific.

The agreements between employers and the union usually exclude externalised workers. Unions have to negotiate separately for externalised workers. Depending on how many labour brokers the mine uses, unions often have to negotiate with multiple labour brokers (employers) in order to cover all the employees. In some cases, externalisation of work can leave externalised workers without any wage agreements. Furthermore, externalised workers do not get the same wage increments as SER employees, precisely because they are hired by third parties and not by the mines. This renders them vulnerable to low wages, and thus income insecurity. The lowest amount reported in our research was R350 a week and the highest was R1 050 a week. Some pay slips showed that workers had been paid as little as R10.80 per month after exorbitant deductions. As expected those hired by the mines earned the highest, followed by larger contractors, and lastly smaller contractors.

Bezuidenhout (2006) also argues that in gold mining, mines use labour brokers to dodge paying the amount agreed upon by the Chamber of Mines. Crush *et al.* (2001) also noted that subcontracted workers in the gold mines are paid much less than SER workers, and work under very poor conditions. Furthermore, the easy cancellation of contracts with labour brokers by mines can leave workers destitute with no income, thus adding to their vulnerability.

While SER employees have a guaranteed amount of money every month as well as a yearly increment, externalised workers are paid irregularly and they have no social benefits. Overall, in our study it was evident that externalised workers are much more vulnerable to income insecurity compared to their SER counterparts.

Most externalised workers do not have contracts of employment like SER workers; for those few that have them, the employers do not always abide by them. It was clear during our research that a contract of employment offers some degree of protection and security to employees. When an employee has a contract that clearly stipulates conditions, remuneration and duration of employment, it becomes difficult for the employer to arbitrarily fire that employee. It is much easier to fire externalised workers, resulting in a lack of employment security. Workers hired by small labour brokers had verbal contracts, and those hired by larger brokers and directly by the mine had written contracts. Even though the larger brokers had given their employees contracts, workers reported that they did not abide by the contracts.

The contravention of contracts is not the worst that happens to externalised workers. A local government official reported:

Labour brokers are now hiring illegal foreigners. At the end of the month the broker meets the workers on a street corner and ‘pays’ them. Before meeting the workers, he calls the police and they arrive shortly after he has started paying them. Because the workers are not legal, when they see cops approaching, they run away. So the labour broker gets away with hiring illegal migrants, with exploiting them and not paying them (Benya, 2008).

National Union of Mineworker (NUM) officials maintain that the above conduct happens mostly with small fly-by-night labour brokers.

One respondent told us that his contract had been terminated because he could no longer hear. He said, “They have fired me because I’m sick, I’m of no use to them now, and they are done with me.” The easy dismissal of injured workers further

marks the lack of employment security for subcontracted workers. This is even more pronounced for cross-border migrants since some of them are illegal.

Sikakane (2003) asserts that insecurity affects not only externalised workers but also SER employees. As a result of the rise in retrenchments and subcontracting, full-time employees are no longer secure in their jobs. They feel threatened by their employers' preference for externalised workers. Some workers believed that the presence of contractors was a threat to their jobs and could lead to their dismissal: "I'm easily replaceable here. They can just call the contractors and replace me within a day." Insecurity, therefore, does not only exist within the informal economy, but also within the formal economy.

Taking the case of personal protective equipment (PPE), for example, there were divisions among workers. SER employees had free access to protective equipment while externalised workers had to contribute to purchasing the equipment. An externalised employee said, "I have never been given gloves and I work with chemicals every day; if I get burned or injured it's my responsibility. They told me that if I want gloves I must bring them from home." This shows clearly that workers are not treated equally way when it comes to PPE provision.

Externalised workers reported that they did not have a choice where they worked, even though the Mine Health and Safety Act of 1996 seeks to entrench the right of mine employees to refuse to work in dangerous conditions. One worker said, "We are sometimes forced to work in dangerous conditions or forfeit our jobs." In addition, externalised workers are not paid for any illnesses caused by their work or injuries sustained at work. This contributes to their lack of work security. Mines are evading health and safety standards and shifting the responsibility to labour brokers, who in turn shift it to workers.

Moreover, our research discovered that externalised workers in some mines are told to blast while there are people working underground. Externalised workers

also reported that their employers (labour brokers) did not take responsibility if they were injured at work. During the research almost all the externalised workers mentioned that they were taken to a state hospital in Rustenburg (Paul Kruger Hospital), so the company could avoid medical costs, leaving their employees to the care of the government. If a worker demands injury compensation, the company threatens to fire him: “You dare not ask for injury compensation unless you want to go home and rest; they will fire you on the spot if you ask for compensation.” Another worker said, “I’m not even sure if we are entitled to compensation; we are contract workers and most of us are foreigners.”

Most scholars of subcontracting in mines argue that there is no career advancement for externalised workers. Subcontracting not only undermines the opportunity of advancing in one’s career but also undermines one of the goal of NUM – “same job, same pay”.

Initially, employers trained SER employees because they saw this as a good investment for the future. However, with the trend towards subcontracting core jobs, employers are now retrenching their trained SER employees and hiring cheap externalised workers. Due to this preference for externalised workers by employers, SER employees feel insecure.

With informalisation of work it is hard to organise workers into unions, and for unions to negotiate better wages and conditions for employees. The main reason is that the number of employers has increased from one (the mine) to several (various labour brokers). Because many workers are not unionised, their lack of voice results in a lack of power, which makes it easy for them to be exploited.

Most of the workers at the mines in this study were unionised; however, for externalized workers, especially at JIC, their union is not independent from management. What is more interesting about this union, according to workers, is that it constitutes “active leadership over inactive members”. What they mean by

this is that it only comprises leaders because all its ‘members’ were forced to join it or forfeit their jobs.⁴

Most of the security indicators for externalised workers are lower than for SER employees. From the above findings it is evident that within formal enterprises there is an indecent work situation. Informalisation of work due to externalisation and casualisation has led to most workers in the non-standard employment relationship experiencing exploitation.

Case Study 2: The Production and Distribution of Liquor – A Producer-driven Value Chain

The South African Breweries and Taverns/Shebeen chain is producer-driven. South African Breweries is the lead company which drives, controls and sustains the chain. SAB produces an estimated 2.6 billion litres of beer per year (SAB, 2007b; SAB Interviews 7 and 8, 26 November 2007). This beer is then distributed to depots by SAB’s trucks. SAB uses 650 trucks a day during peak season to deliver beer to depots (SAB, 2007b). From the depots, the product is then delivered to licensed and permit-operating retailing clients by owner-drivers and SAB’s own trucks (Figure 4). Beer-selling clients include restaurants, pubs, hotels, liquor stores, wholesalers and taverns. SAB’s liquor is bought from licensed wholesalers such as Makro or Trading Centres and liquor stores by individuals who buy in bulk to illegally trade it in shebeens. It is estimated that 82% of SAB’s liquor is sold illegally if permit-operating shebeens are included.

⁴ All potential employees are required to fill in union forms or they will not be employed. As workers get work application forms, right at the back of them are union forms and all soon-to-be employees MUST fill them in or they will not be hired.

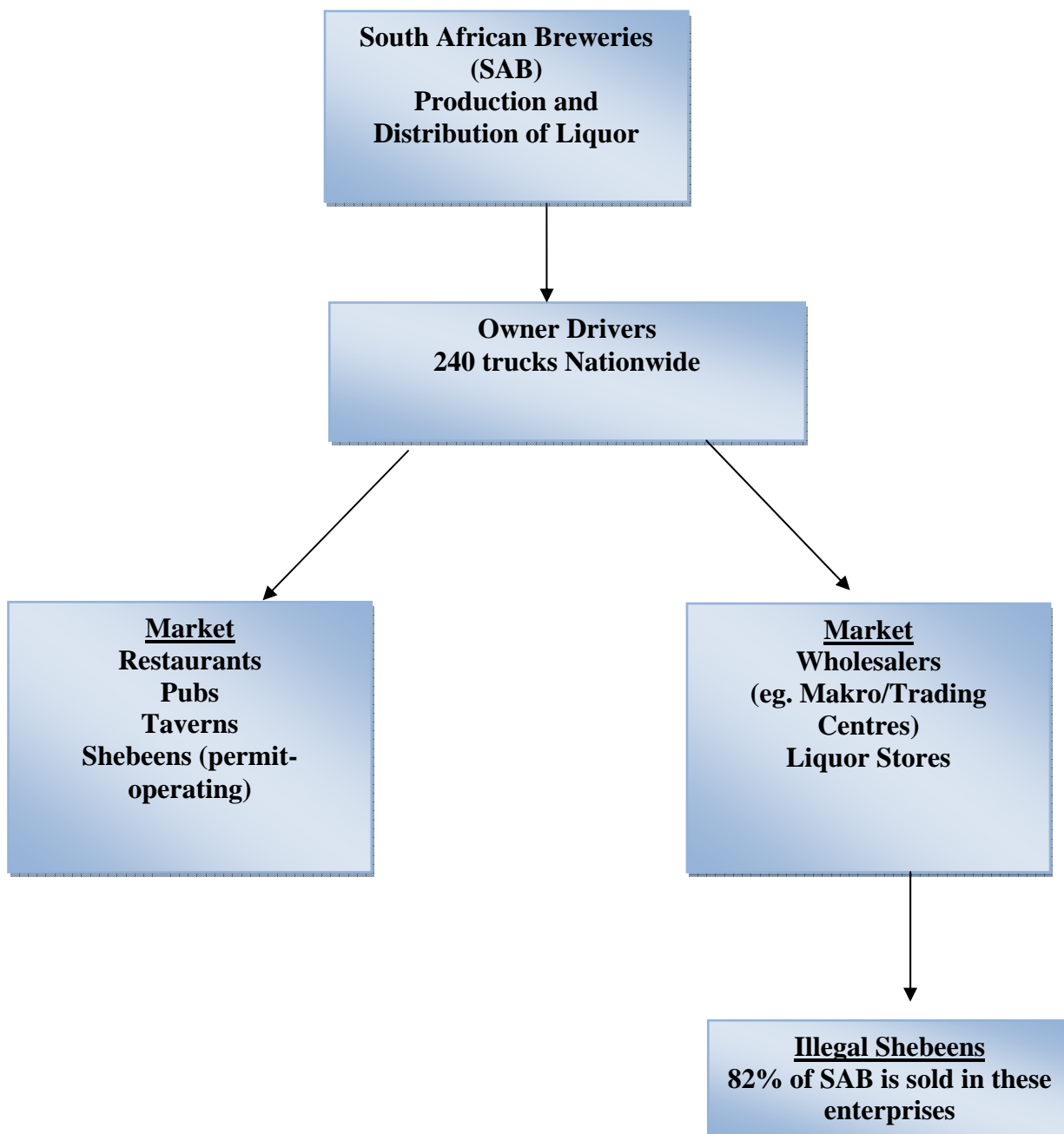


Figure 4: Liquor Value Chain

South African Breweries Limited was founded in 1895. Today it is the largest brewer in Africa. In 2002, it merged with Miller, an American company, to form SABMiller (SAB, 2007a). SABMiller is the second largest brewing company in the world. SABMiller has breweries in 60 countries across the world. According to their 2007 Annual Report, SABMiller has a total of 17 breweries in Latin America, 19 in Europe, 8 in North America, and 76 in Africa and Asia. This shows the magnitude and the kind of power SABMiller possesses as a multinational company within the liquor sector.

All of the breweries operate the same way – the SABMiller ‘Manufacturing Way’, which is the groups’ centrally developed set of tools and processes established to increase standards and quality of the end product (SAB, 2007a). Nonetheless, in each country SABMiller has subsidiaries that cater for different markets: “Unlike manufacturing, this activity [marketing] varies widely from market to market because local conditions are so different” (SAB, 2007a:14).

One of SABMiller’s goals is to become

... sophisticated at creating the right environment at the point of sale. This applies equally to retail outlets and to on-premise settings such as bars and restaurants. Our European businesses have led the way in creating 3D installations and ‘beer theatres’ with related promotions and events to lift the image of the product and create a more exciting experience for the consumer at large super and hypermarkets (SAB, 2007a:15).

In South Africa, the major point of sale of just over 80% volume of SAB’s beer is in illegal shebeens in townships, a less exciting and unsophisticated environment. In response, SAB is attempting to bring most of these businesses under its wing so they are able to control the “environment at the point of sale”.

All this information regarding SABMiller is important in looking at how SAB operates in South Africa with regard to taverns and shebeens. South African

Breweries Ltd. – hereafter referred to as South African Breweries and SAB – is the South African subsidiary of SABMiller.

South African Breweries plays a crucial role in the chain because it produces the product – the beer. SAB operates seven breweries nationally. The production of the products, the conception, the branding and the introduction of new brands are completely controlled by SAB. For instance, SAB states that the South African market lies in the premium sector. Premium beers are brown-bottle beers such as *Carling Black Label*, *Castle Lager* and *Hansa Pilsner*. However, with the growing population of working women, SAB has introduced flavoured alcohol beverages which have become successful (SAB, 2007:13). SAB decides on which brands they would like to launch in each market and how they can contextualise each product for the local market. SAB has ten brands of beer, one cider brand, one spirit cooler and one apple ale especially chosen for the South African market (SAB, 2007). Each beer is branded according to SABMiller's best standards and is targeted towards a particular population group.

SAB produces 100% of its own hops and 50% of its barley; another 25% of the barley is grown by tenders and the remaining 25% is imported. SAB also produces some of its own malt in Alrode Brewery. SAB is closely linked to farmers who produce other raw materials such as maize (SAB Interviews 7 and 8, 26 November 2007). According to Interviewee 8 (26 November 2007), SAB thoroughly checks the quality of its ingredients and products at every level. For instance, farmers that are subcontracted by SAB to produce for the company are given precise directions on how to grow their products, and which insecticides and other materials may be used in production. The farmers are especially trained by SAB on how to grow their ingredients in order to ensure it is of a certain quality for beer production. The main point here is that SAB has significant control over its suppliers. The company literally controls the running of these subcontractors and tender companies.

The brewing process is highly mechanised. Production takes place 24 hours a day. The quantity and quality of the product is completely determined by SAB. Each brewery is specialised to brew particular beer. For example, Alrode only brews premium beer and Chamdor only produces flavoured liquor. Breweries are also specialised according to packaging (SAB Interviews 7 and 8, 26 November 2007). For instance, some breweries produce canned beer, others only dumpies (250 ml bottles) and others only 750 ml bottles. It is more convenient and faster to do this. Moreover, different lines pay differently. For instance, lines that work with glass and larger quantities of beer pay more than the canning lines. Separating each of the lines according to breweries makes it easier to control the shopfloor, because it is on an equal footing in terms of wages (SAB Interview 8, 26 November 2007).

SAB has complete control over the value chain. For instance, SAB is currently experiencing a beer shortage due to unplanned higher consumption of their premium liquor. With the loss of Amstel Lager in early 2007, many Amstel drinkers switched to other SAB brands (SAB Interview 7, 26 November 2007). Due to the anticipated shortage, SAB began rationing particular depots and clients in order to be able to spread the available product across the country (SAB Interview 6, 2007).

This decision was taken by SAB alone without consulting with other parties in the chain, mainly liquor retailers. Thus, this shortage will be felt throughout the value chain. As the profits of SAB drop in the coming months due to the shortage, other actors in the value chain such as retail clients will also lose. Since SAB has a virtual monopoly over the liquor industry (currently controlling 93%), there are few alternatives from which retailers can source. In other words, this is a producer-driven value chain – SAB exerts extreme control over the chain because it is powerfully positioned to determine the trajectory of the whole chain.

SAB is thus a highly specialised machine. There is high differentiation within the company in order to manage the collective goals of the company within the

country and internationally. Conceptualising, forecasting, branding and brewing are processes that need labour that is highly specialised, knowledgeable and skillful.

South African breweries and labour

Deloitte & Touche and the *Financial Mail* voted SAB in the top three of Best Companies to Work for, for three consecutive years from 2001 to 2004. SAB ranked sixth and eleventh of 127 companies in the country in 2005 and 2006 respectively. According to research by the Bureau for Economic Research (BER) at Stellenbosch University, SAB had 8 467 employees in 2006 compared with 7 807 in 2004/05. (BER, 2006) Highly skilled labour comprised 1 515 workers (18%), skilled labour comprised 4 194 workers (49%), and semi-skilled and unskilled workers comprised 2 758 workers (33%). Its high degree of differentiation and mechanisation means that SAB is mainly dependent on an educated and skilled workforce (77%). Sources at the Alrode Breweries said, “The shopfloor is disappearing with the increase of machines in the production of beer” (SAB Interview 7, 26 November 2007).

Furthermore, sources in SAB argued that it is hard to enter employment in the company: “The minimum requirement for most jobs in SAB is a basic degree or diploma” (SAB Interview 7, 26 November 2007). The minimum for an unskilled job in the company is Grade 12. As one source at Alrode argued,

Imagine, a forklift driver has to have a minimum of a matric. Even drivers, these are low-skill jobs here [at Alrode]. Other than that, other employees are artisans such as operators at the conveyor belts, diploma and degree holders such as your brewers ... because everything here is technology-intensive (SAB Interview 7, 26 November 2007).

Another source at SAB argued that Grade 12 has to be the minimum so that it is possible to train these individuals for other positions within the company if new technology is introduced or if there is a need for restructuring (SAB Interview 8, 26 November 2007). Job security and skills reproduction security of low-skilled

employees is fairly high; as the company expands they are given the opportunity to upgrade their skills and achieve better positions within the company. Alrode, the largest brewery in Gauteng, has less than 500 employees, most with diplomas and university degrees (SAB Interviews 7 and 8, 26 November 2007).

South African Breweries invests a significant amount of money in human capital development. It has a purpose-built Training Institute which opened in 1992. The institute is an accredited training provider with the Food and Beverages SETA. The institute offers Corporate University programmes, and short-term programmes for operational expertise. Each employee has an average of 5.9 days per year for training (BER, 2006). From this point of view, one can argue that SAB's productivity and profitability lies in upgrading the skills of its employees. Upgrading skills can also serve to retain skill within the company and to increase employee morale. Either way, both parties benefit. Thus, workers in SAB have high skills reproduction security.

SAB is also very committed to learnerships. Most of their recruits are absorbed into permanent employment after completing the learnerships. All the individuals interviewed at the Soweto Depot entered SAB through learnerships and have been given permanent jobs. These same individuals have been able to work themselves up in terms of salary, benefits and position within the company (SAB Interview 2, 26 October 2007; SAB Interviews 3 and 4, 2 November 2007). They agreed that SAB offers adequate career advancement opportunities.

Taking the above information, employment security is high as there are rationalised hiring criteria for individuals. Since SAB is a registered company, every employee has a contract and cannot be unfairly dismissed by the organisation. The sources at Alrode further said that some of their workers are organised by the Food and Allied Workers Union (FAWU) (SAB Interview 7, 26 November 2007). Thus, workers have high representation security because they are free to join a union. So far, the brewery has not experienced a major strike

because salary negotiations with the union have been successful (SAB Interview 8, 26 November 2007). Representation security is adding decency to the working conditions of the workers.

Workers are insured against physical harm and negative health hazards at work, and receive instruction in how to guard against accidents (SAB Interview 8, 26 November 2007). This means that work security is high.

In 2005/06, the average monthly wage of a highly skilled worker was R39 103, of a skilled worker R14 228, of semi-skilled and unskilled workers R7 389 (BER, 2006). SAB is also generous when it comes to financial incentives. According to one source, the SAB Human Resources Department has developed specialised packages for different workers in different departments (SAB Interview 3, 2 November 2007). For instance, the Sales Enterprise representative proudly said that each rep has set goals, and that when they meet or exceed those goals they are given rewards such as an increase in salary. If one is able to increase the productivity of the taverns s/he is servicing within a particular period then one's salary could increase three-fold (SAB Interview 3, 2 November 2007). Incentives such as extra packages – an increase in car allowance and other forms of rewards – are provided for employees in certain positions and departments. In this case, then, one can argue that these employees have high income security as they have regular minimum wages, comprehensive salary packages and compensation cover in the case of physical harm at work. South African Breweries' employees are fully covered in terms of benefits which SAB pays for. In 2006, SAB paid R1.67 billion for employee benefits (BER, 2006:14-15). SAB employees score high for income security.

Owner-driver programme

The Owner-driver Programme was initiated in 1987 in the Western Cape. Initially candidates were recruited from SAB drivers. Presently, non-SAB workers can apply to become owner-drivers. The programme comprises three phases.

The first stage – the development stage – lasts from twelve to twenty-four months. The owner-driver goes through training modules such as Business Skills and Numerical Skills to prepare him to run his own business. Next, the owner-driver rents a truck which he will use while completing his training. Part of transitioning requires the candidate to resign as an employee of SAB and to form a closed corporation (CC) (SAB Interview 5, 14 November 2007).

The owner-driver can then hire a crew consisting of four non-related workers, which he has to register as his employees. In hiring labour, the owner-driver is advised against hiring family or relational labour. The driver has to hire labour through legal means, check credentials and conduct interviews. Crew members are paid the necessary minimum wage required by law, given benefits and covered against accidents at work. The loaders do not need great skill for their jobs; however, they are secure in that they have written contracts and they are registered as employees for UIF and other benefits.

The crew is financially insured against work-related injury, and thus have work security (SAB Interview 3, 2 November 2007). SAB strongly states that, if the need arises, crew should complain about their working conditions to their employer and not SAB. This point is significant – the Owner Driver is their employer, and their employment contracts bind the owner-driver but not SAB. This distinction has to be emphasised, as there can be confusion as to who their employer is. SAB provides their uniforms and tools (gloves, trolleys) for working. Further, the truck is branded by SAB despite the fact that it is owned by the driver. The confusion is further perpetuated by the strong relationship between SAB and the owner-driver due to their binding contract (SAB Interview 5, 14 November 2007).

The second phase of the Owner-Driver Programme is the Asset Acquisition Phase, which lasts for ten years. The owner-driver signs a ten-year contract,

whereby he is given the opportunity to buy his own truck during this period. The vehicle is registered in the owner-driver's name; it becomes his own personal property. An economic rental allowance is paid to the owner-driver on a regular basis. This allowance covers all the owner-driver's expenses, "... including running, operating, labour and breakage costs, according to predetermined standards, as well as to cover his truck repayments" (SAB Interview 5, 14 November 2007). Owners-drivers have their own business advisors who advise them about issues related to running their businesses, such as how to comply with the law, pay expenses, cut costs and many other things (SAB Interview 5, 14 November 2007).

Phase three of the Programme is called the Multiple Vehicle Contract. This is also a ten-year contract with similar principles as phase two. High-calibre owner-drivers are allowed to purchase two more trucks, thus operating three vehicles at a time. In this phase, the distribution operators are not required to drive their own vehicles. Instead they are required to personally supervise 15% of all deliveries. At this stage the owner-driver becomes independent. SAB 'gives up' significant control over the owner-driver in terms of giving precise directions on how to run his trucks. The distribution operator is now an independent businessman (SAB Interview 5, 14 November 2007).

With growth of the owner-driver's assets, the structure of his business becomes more complex. More labour is necessary to run the business at an optimum level. Division of labour takes place. The owner-driver must hire drivers and crews for each truck. A hierarchy begins to form. The owner-driver moves up a level, drivers for his truck form the second layer and the crew the last layer.

SAB has rolled out 240 owner-driver opportunities at 37 of their depots nationally since the inception of the Programme (SAB, 2007b). This programme has actually decreased expenses for SAB and has allowed former drivers to become

employers. Owner-drivers deliver 65% of SAB beer volumes, and form a critical element of the secondary distribution strategy for SAB (SAB, 2007b).

Despite the fact that the owner-driver is a subcontractor he is not free to deliver the beer or products of other companies. He is a subcontractor servicing SAB **only**. There are punishments if the contract is breached; termination of the contract is a possibility. Thus, the owner-driver is kept captive by SAB even when the truck is fully paid for.

This relationship can be said to be exploitative in nature rather than empowering. However, one has to think of the liquor sector in South Africa. SAB controlled 98% of the sector in 2006 and early 2007. However, with the emergence of Brandhouse, SAB's control over the sector is being challenged. Brandhouse is the company that took back Amstel Lager from SAB in March 2007, and is the producer of Heineken and other Western beers. Within a short period of time, Brandhouse has compromised SAB's control over the liquor sector. SAB now controls close to 93% of the liquor sector (SAB Interview 3, 2 November 2007). This may make it possible for owner-drivers to advertise their services to Brandhouse.

Most of the taverners interviewed argued that it is convenient to work with SAB, as it delivers their products to their businesses; Brandhouse does not have this service. This statement is confirmed by an SAB source, who argued that SAB has the advantage mainly because it offers delivery (SAB Interview 3, 2007). If Brandhouse can offer this service to its taverners by utilising subcontractors such as owner-drivers, their market share will increase. This could also increase the incomes of owner-drivers, and it might even raise the competition for their services, which may mean more profit. Indeed, Brandhouse offers a ripe opportunity for owner-drivers. However, because they are barred by SAB from delivering other companies' products, owner-drivers are never able to pursue such opportunities like other free businesses.

Taverns and shebeens

The owner-drivers are responsible for the delivery of the liquor to licensed and permit-operating businesses countrywide. This market consists of licensed restaurants, wholesalers, liquor stores, taverns and shebeens with permits (see Figure 4). Wholesalers and liquor stores sell liquor in large quantities to individuals. Some of these individuals operate illegal shebeens which actually retail 82% of SAB's products. The Soweto depot supplies Soweto, Eldorado, Kliptown, Lolli and surrounding suburbs. These townships consume about 62 222 cases per day (twelve bottles in each case) (SAB Interview 2, 26 October 2007).

Philip (2007) argues that small-scale producers have to compete in relation to price, quality and brand recognition. However, the integration of shebeens into SAB's commodity chain decreases such risks and costs for these enterprises. Licensed taverns and shebeens operating with permits are assisted by SAB to brand their enterprises, with names imprinted on the background of one of SAB's alcohol beverages. For instance, SAB places a board outside each client's enterprise, displaying the name of the shebeen or tavern on the background of one of SAB's beers such as Carling Black Label or Castle Lager.

These enterprises are also given fridges, chairs and other materials to facilitate their growth. By giving the taverners fridges, the quality of the product is assured and enhanced, as their liquor is served cold. The provision of chairs and glasses enhances the quality of the tavern or shebeen, as customers are able to enjoy their favourite beer sitting comfortably on chairs and drinking out of branded beer glasses. There are, however, conditions that come with SAB's 'free' gifts.

Taverners and shebeeners are told that the fridges are only to be used for SAB's products. If any other company's brand is found in the fridge, SAB will immediately confiscate the fridge. There are other rules attached to these fridges. They have to be packed according to a particular order. For example, a Black

Label branded fridge should feature that beer on the top shelf, followed by other brands on the other shelves (Tavern 8 Interview, 21 September 2007; SAB Interview 3, 2 November 2007). The shebeeners are assigned a sales representative by SAB, who teaches them how to pack the fridge and other business skills necessary for running a successful operation. The fridge has to be placed where customers can see the beers in the fridge. Thus, the fridge has to face the customer. These rules on how to display and pack the fridge have to do with the power of advertising:

I have sat in many shebeens and taverns I service and I can tell you that 35% of the time customers point at the product they want to buy rather than say which brand they would like to buy. That is the function of the fridge and the rules attached to it (SAB Interview 3, 2 November 2007).

This statement is very much in line with De Soto's (1989) assertion that 65% of customers in Western businesses are brought in through advertising outside one's establishment, illustrating the use of branding one's product. Thus, branded shebeens and taverns are able to capture a larger share of the market compared to those that do not have any form of branding.

The price of beer is recommended by South African Breweries. For instance, at the time of writing SAB's recommended price for Black Label was R6.50. The taverners and shebeeners are not forced to sell the brand at this price. Most charge R7.00 to R7.50. SAB has created incentives for adopting the recommended beer prices and other recommendations drafted especially for taverns and shebeens. For instance, the provision of chairs, tablecloths and glasses is dependent on following SAB's recommendations, including selling beer at the recommended price. It is clear that the chain is mutually beneficial to all integrated parties, as they all able to gain from each other and grow. Nonetheless, SAB exerts significant control in the running of the taverns and shebeens that they service.

The provision of services to taverns is advantageous for South African Breweries as it helps to secure the trust and confidence of their clients. Most importantly, SAB is securing access to a market in the townships which trade and consume

most of its products. As value trickles down within the chain, some of these businesses have grown to the extent that they are able to provide employment in their neighbourhoods. For example, the owner of Tavern 3 in this study is able to provide employment to unemployed neighbours and friends. As De Soto (1989) delineated in his book, *The Other Path*, informal – or in this case formalising – enterprises have the capacity to absorb more labour than formal enterprises as work in the informal economy is more labour-intensive.

Philip (2007:207) further argues that attempting to integrate individuals from disadvantaged backgrounds into the value chain is problematic as they do not understand several critical points of running a business and developing products. She quotes an intermediary, saying that it is difficult to work with groups in the townships as they do not have adequate resources and knowledge to carry out production and attend the necessary training. Intermediaries further argued that government and some nongovernmental organisations do not understand the market and thus undermine the sustainability of producers in their workshops. SAB is very aware of these problems, and thus their initiative – the Mahlasedi Programme (SAB Interview 6, 20 November 2007).

The Mahlasedi Programme upgrades the knowledge and business skills of shebeen owners so that they can become better integrated into the value chain, in order to reap the benefits of being linked to SAB. At the end of the programme, taverners receive certificates certified by the Tourism and Hospitality SETA (TETA) (Interview 6, 20 November 2007). So far 12 400 shebeen and tavern owners from all parts of the country have gone through this programme (SAB, 2007a:5). Additionally, SAB has committed R100 million over the next five years to train more taverners (SAB, 2007b:5). This process is dependent on the pace of licensing by government. When the owner of Tavern 6 received his shebeen permit a few years ago, he approached SAB and they were able to sign him on as a customer. His wife proudly said, “SAB also sent him to some fancy course

where he stayed in a nice hotel and received a certificate for it” (Tavern 6 Interview, 14 September 2007).

SAB realises that in order to be able to work well with taverners and shebeeners there has to be foundation which permits communication between them. Thus, taverns and shebeens are assigned marketing sales representatives from the Soweto Depot. Each rep services approximately 200 taverns and shebeens. The rep decides which customers need training and which ones do not (SAB Interview 3, 2 November 2007). The sales rep also decides through his professional analysis which taverns will be more profitable for SAB. The rep will then invest in growing those particular enterprises (SAB Interview 3, 2 November 2007).

Case Study 3: Clothing Production – A Buyer-Driven Value Chain

The value chain for the production of clothing is a buyer-driven value chain, because it is headed by large retailers and branding agencies, and involves a decentralised network consisting of (often outsourced) design houses and manufacturers. The chain begins with either the harvesting of raw materials such as cotton or wool, or with the production of synthetic polyester or acrylic fibres. Textile manufacturing using these materials is the next link in the chain, followed by the design and manufacture of clothing. This step can either be outsourced to informal enterprises or can be made in formal, regulated factories. The branding of the product is the next stage, with marketing agencies playing a central role. It is at this stage that the most commercial value is added to the product. Finally, the product is sold, either through formal retailers or through informal traders.

Initially, however, these retailers release tenders for the production of a certain type of clothing. Manufacturers compete with each other for these tenders by trying to provide the tender to the retailer for the lowest price.

According to one of the factory owners whom we interviewed, “No factory sells clothes. The chain stores buy them. These factories work on selling labour. They

are labour brokers, not factories” (Interview, Factory Owner A, 5 September 2007). This points to the power that the branding chains have over the production of clothing. If manufacturers are granted tenders, the branding chains tell them exactly what to make, how to make it and which design to use.

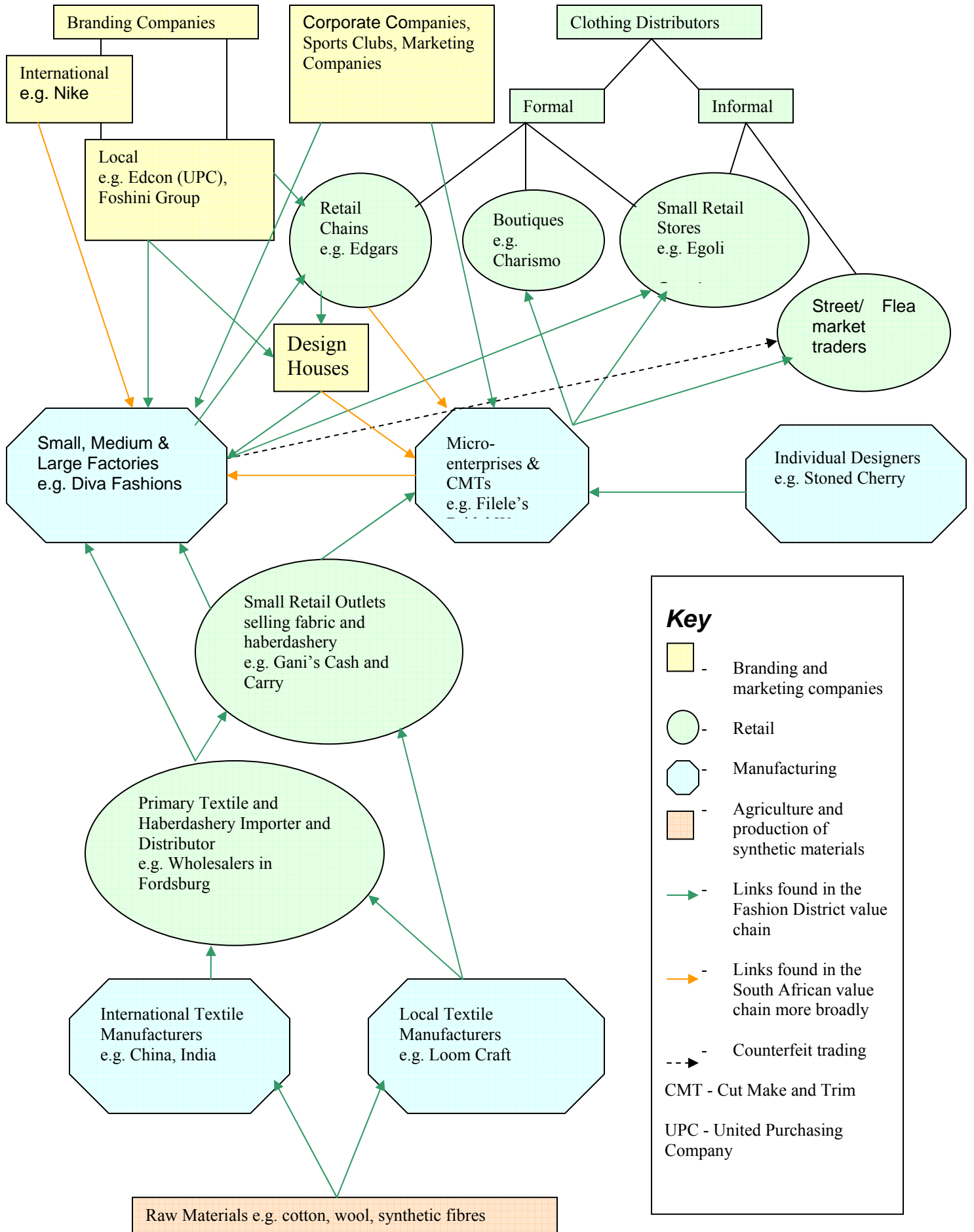
This means that the structural bargaining power⁵ of clothing factory workers is very low, because there is so much competition between factories and because the industry is flooded (Silver, 2003:13). Most of the big international branding houses are located in the global North. The clothing factories, on the other hand, tend to be located in the global South, inducing South-South competition between factories and emphasising the North-South divide (Anner *et al.*, 2006:23).

Figure 5 illustrates the links in the buyer-driven value chain for the production of clothing in South Africa.

The value chain for the production of clothing in the Fashion District in Johannesburg is a small value chain which differs slightly from the clothing production value chains found in other parts of South Africa. The coloured arrows in Figure 5 indicate this difference. The green arrows indicate links which exist in both the Fashion District and the larger South African clothing production value chain. The orange arrows indicate links which usually exist in the South African clothing production value chain but which do not exist in clothing production in the Fashion District.

⁵ Erik Olin Wright (2000:962) makes the distinction between the associational and structural power of workers. Associational power is defined as “various forms of power that result from the formation of collective organisation of workers (trade unions and political parties)”. Structural power is the power that accrues to workers “simply as a result of their location in the economic system”. Wright distinguishes two subtypes of structural power: market bargaining power which results directly from tight labour markets, and workplace bargaining power resulting from “the strategic location of a particular group of workers within a key industrial sector”.

Figure 5: Clothing Commodity Chain



The reason for this difference is that the factories in the Fashion District are generally linked to small, primarily domestic value chains, and there are few production links from larger factories in the district to the micro-enterprises in surrounding areas. For the most part, factories in the Fashion District are neither export-oriented, nor are they linked to international brand names. Only two of the factory owners whom we interviewed have ever produced clothing for international export, supplying clothes to Botswana and Angola (Interviews, Factory Owners C and F, September 2007). One of the Cut-Make-and-Trim (CMT) owners has customers in England who occasionally buy traditional African outfits for their boutiques in London (Interview, Sewing Shop Owner A, September 2007).

Of the seven factories which we visited, three were producing clothing for corporate and marketing companies, two were producing clothing and ties for large South African retail chains, and one had secured a niche market by producing scuba diving outfits (Interviews, Factory Owners A-F, August-October 2007). The only factory which outsourced part of its production was Factory B, the largest factory in Gauteng. When they outsourced, it was to a medium-sized registered factory with 100 workers who performed the tasks of pattern cutting, aligning pattern pieces for sewing, and washing the final garments made by workers in Factory B (Interview, Factory Owner B, September 2007).

The three sewing shops which we visited were producing traditional African clothing and bridal wear for their own small retail outlets which were attached to the CMTs (Interviews, Sewing Shop Owners A-C, September and October 2007). Finally, the two clothing designers who ran their own CMTs had secured their own niche markets, supplying garments to high-end fashion boutiques in and around Johannesburg (Interviews, Clothing Designers A and B, August- October 2007).

Although the sample of factories and CMTs may not be representative of the whole Fashion District, the list of factories in Gauteng which we obtained from the South African Clothing and Textile Workers' Union (SACTWU) specifies what the factories specialise in. The majority of these factories manufacture clothes for local corporate and marketing companies.

Much research has been conducted on the linkages between informal home-based CMTs and formal, small-to-large factories. In these networks, work given to the home-based CMTs is outsourced either by design houses, retail chains or larger factories. Theron (1996), Godfrey *et al.* (2005) and Van der Westhuizen (2005) have conducted extensive research in this field in Durban and Cape Town. What has emerged is that there are clear dependency relations between the informal home-based operations (which are often survivalist by nature) and the rest of the production chain involving formal design houses, retail chains and other factories.

Design houses are a relatively new phenomenon in which manufacturers shut down the production portion of their business and “retain only their design and sampling functions” (Godfrey *et al.*, 2005:11). Manufacturing is outsourced to factories or home-based operations (often informal) which compete for tenders from the design houses. To restructure one's business in this way is beneficial to factory owners as they evade the responsibilities of hiring a large workforce and manage to cut costs by outsourcing production to low-paid workers. We encountered one design house in the Fashion District. The owner had begun to outsource production to a factory in Botswana at much cheaper rates than he had paid when he managed a factory in Gauteng (Interview, Design House Owner A, 5 September 2007).

Case Study 4: Recycling Waste Paper

This section uses the concept of value chain analysis to identify the activities that take place in the waste paper sector, from the collection of waste from households

until the stage where waste is recycled into re-useable goods. The analysis includes an examination of the conditions of work in the various stages of the process, and how these conditions differ in the informal and formal parts of the value chain. The concept of the value chain will help to identify the differences in the conditions of employment between the waste collectors at Pikitup (a private company in the formal economy)⁶, the workers at the buy-back centres, and individual waste collectors in the informal economy.

The waste collectors collect a variety of waste – paper, glass, scrap metal and plastic. The individual collectors either collect waste directly from households, businesses or factories, or from Marie Louise landfill site. The waste at Marie Louise is dumped by Pikitup. The waste paper that is collected is sold to agents at the buy-back centres. There the paper is sorted according to grades and types (newspaper, white paper and office paper, and magazines. Later it is transported and sold to either Mondi Mills, Sappi Mills or Nampak Mills (see Figure 6).

⁶ Pikitup is a registered private company that was launched in 2001. It is contracted by the City of Johannesburg Metropolitan Municipality to provide waste collection services for the municipality. The contract includes the collection and disposal of household and business waste, street cleaning, and collection of waste that is illegally dumped (Samson, 2004:117).

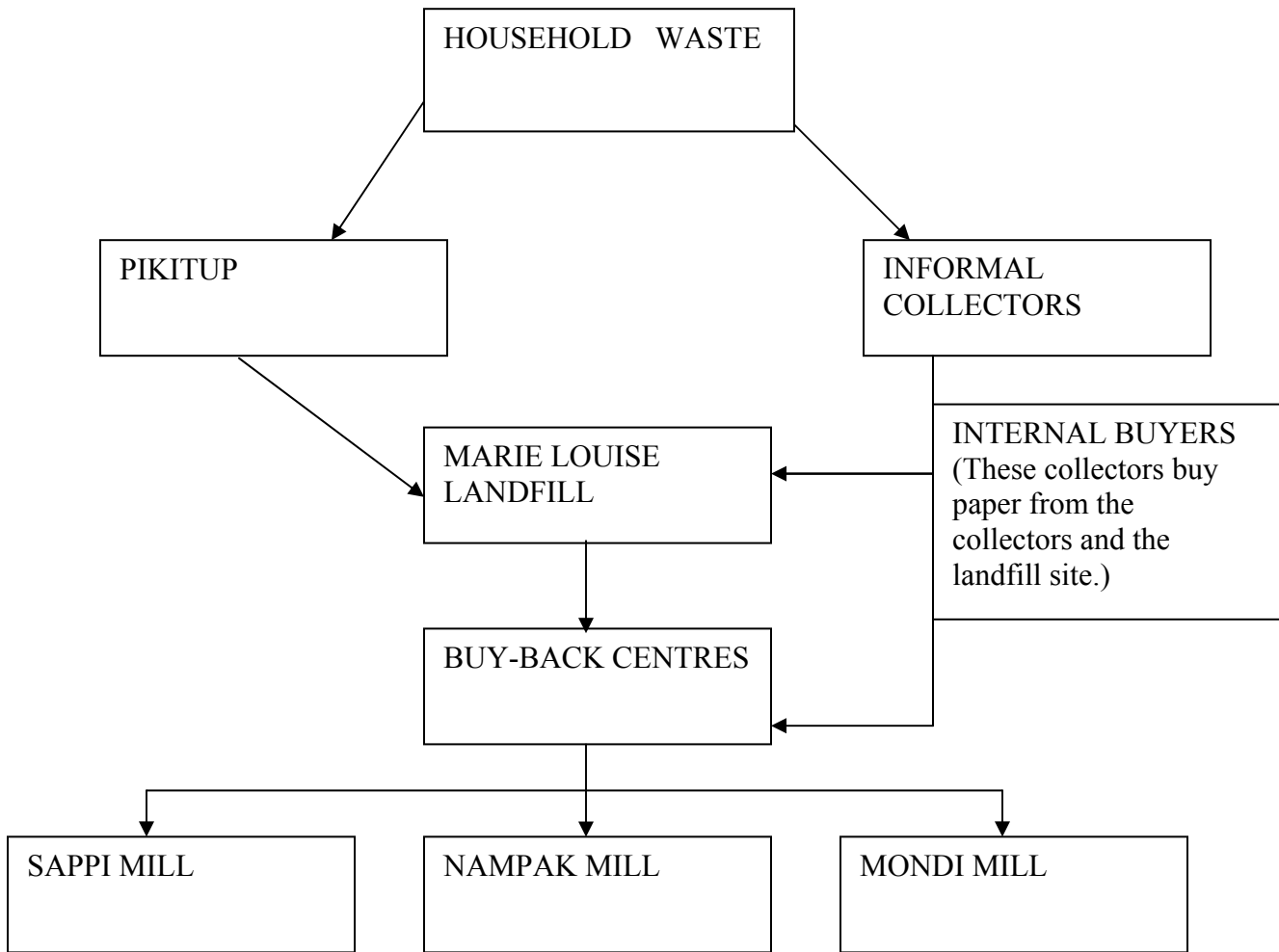


Figure 6: Waste Paper Value Chain

The first phase in the value chain begins with households throwing their waste into a bin. Both Pikitup and individual paper collectors go to the same source. Pikitup collects waste from households once a week. They simply pick up the bins and throw the waste into their trucks, while the paper collectors go through the bin looking for paper only. The waste that is collected by Pikitup from households is taken to a landfill site.

The second phase begins when the waste arrives at the landfill site. This is where most collectors are found, and it is where they collect most of the paper that they

sell. Collectors work at the landfills every day. They have the option of selling their paper to agents – collectors who not only collect paper themselves but also buy paper from other collectors – or selling directly to buy-back centres. Selling to the agents adds an additional step to the chain, because the agents act as middlemen between the collectors and the buy-back centres. The buy-back centres are usually responsible for sorting the paper into different grades and baling it into bulk lots. From the buy-back centre the paper is sent directly to the recycling companies, its final phase.

The chain operates like a ladder, with the paper collectors at the bottom with bad working conditions and earning the lowest wages. The agents at the landfill site earn more than the collectors. As one moves higher up the ladder to the buy-back centres and Pikitup workers, working conditions tend to improve.

Case Study 5: Recycling Scrap Metal

Figure 7 shows the value chain for recycling scrap metal. It demonstrates the linkages between the formal and informal enterprise, and illustrates where scrap metal is sourced through to its final destination.

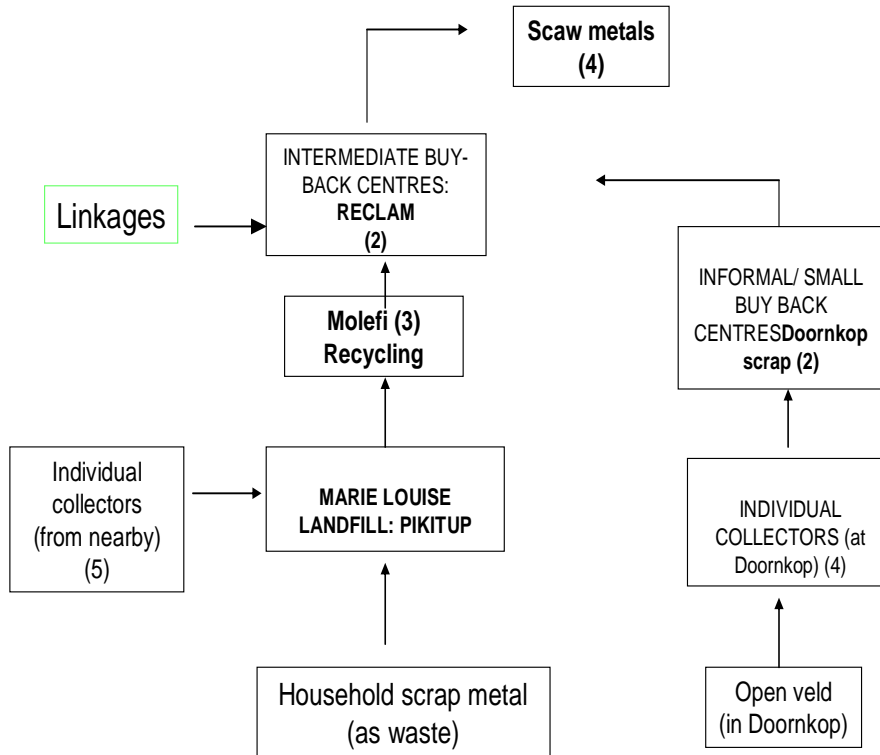


Figure 7: Scrap Metal Value Chain

In the informal (right-hand) side of the chain, the first phase begins with the collection of scrap metal from either open veld or landfills such as the Marie Louise site. This material is then sold to the local buy-back centres, which are often small to medium enterprises, both registered and unregistered. It is then sold to the bigger buy-back intermediaries such as Molefi Recycling. On the formal side of the chain, recycling begins with the collection of scrap metal by trucks that dump this waste at the landfill site. Individual collectors come to the site to sort the material that is recyclable. They sell this to the buy-back intermediaries within the landfill, who later transport this scrap metal (along with other recyclable

goods) to the bigger buy-back intermediaries. The bigger intermediaries clean and sort the scrap metal and sell it to multinational steel corporations such as Mittal Steel and Scaw Metals. The corporations process the scrap and prepare it to be used in the production of new steel products.

The Underworld of Work

Our five case studies have demonstrated that the discourse that implies that South Africa has two geographically separate economies is misleading. Indeed, the so-called second economy is an integral component of total national economic activity, rather than a marginal or peripheral appendage to it. The globally successful South African Breweries would not be able to distribute its product were it not for the thriving ‘second economy’ of shebeens. Neither would the clothing industry be able to produce goods for the local niche Afrochic market without the informal enterprises operating in the Fashion District of Johannesburg. The waste collectors, largely invisible and stigmatised, play a central role in ensuring that the successful export metal and paper industries continue to benefit from supplies of waste paper and scrap metal.

It is wrong to see the informal economy merely as a set of survival activities performed by the poor and destitute. Mondi Paper would not have established Mondi Recycling, which gives wheelbarrows to waste paper collectors, unless it benefited them. Mondi Recycling has also funded buy-back centres as part of its small business entrepreneur’s initiative. Currently it has 117 buy-back centres, some managed by past collectors. It is reported that buy-back centres employ approximately 3 000 people (Dilata, 2008:25-6).



Illustration 1

An example of the paper barrows that Mondi Recycling gives to collectors in order to make pushing their paper easier.⁷

These collectors are an integral part of South Africa's paper industry. They work normal hours – either from 8am to 4pm or from 9am to 5pm – and on average, have been employed in the same job for six years (Dilata, 2007:36,52). However, they are denied a standard employment relationship. While some are willing to accept the stigma attached to their work in order to feed their families and pay their children's school fees, others feel ashamed of what they are doing. For example, when one informant was asked if we could take her picture she said:

You want a picture of me? What if my kids do not know that I work at a landfill? They think I work in a factory, and the next thing they see a picture of me in the landfill (Dilata, 2007:62).

⁷ Available at http://www.wbcds.org/web/publications/case/mondi_recycling_full_case_final_web.pdf



Illustration 2: The physical conditions of working in paper recycling. The face of the woman in this picture was 'blacked out' to preserve her anonymity.

Our case studies demonstrate both the interdependence of these distinct economic activities but also their asymmetrical nature. The unequal nature of the relations between the different phases of the value chain is most clearly demonstrated in the case of SAB, whose powerful monopoly position within the industry enables it to control the distribution of its product through its owner-driver scheme as well as its control over the taverns and shebeens. A similar pattern of control over these economic activities exists in the waste recycling industry where the collectors purport to be self-employed but actually work for the large paper and metal factories. As Birkbeck (in Samson, 2004:24) argues in his study of garbage collectors in the city of Cali in Colombia:

Because of the nature of the collectors' relationship with the industrial market for recuperated materials, the garbage pickers in effect work for the factories but are not employed by them. They are little more than casual industrial outworkers, yet with the illusion of being self-employed. They may be in a position to decide when to work and when not to, but the critical factor is that control over prices of

recuperated materials lies with the industrial consumers. They are self-employed yet in reality they sell their labour power.

For this reason Birkbeck calls the garbage collectors “self-employed proletarians”.

Similarly, the formation of decentralised networks of production in the clothing industry in places such as the Fashion District in Johannesburg have displaced the large-scale clothing factories. This has created opportunities for entrepreneurs to by-pass the regulatory framework governing the clothing industry in South Africa. As Castells and Portes (1989:26) argue:

There are actually two processes at work: the decentralization of large corporations into semiautonomous units and the informalisation of as many of these units as possible, so that to the benefits of flexibility are added the advantages of unregulated activities in a regulated environment.

Workers in the informal economy tend to have a set of very specific characteristics that can best be summed up as insecurity or as a decent work deficit, which will be discussed in the next section. These social characteristics are not randomly produced; they facilitate workers’ involvement in this form of work. The most striking social characteristic in our five case studies is the presence of immigrant workers, particularly undocumented, working in the clothing industry in the Fashion District and the platinum industry in Rustenburg and Brits. However, as Castells and Portes (1989:26) observe, “Vulnerability also extends to all social situations that are marked by some kind of social stigma”. These include ethnic minorities, such as the Somalis in the Fashion District, older women, such as the waste paper collectors, and children working in the shebeens.

Although the immigrants in the Fashion District are frequently harassed by the Johannesburg Metro Police, in general the government tolerates these informal activities. In fact, it finds them useful as a way of boosting the employment statistics by including a range of unregulated income-generating activities as a form of employment, as shown in Section One of this report. However, the fact of the matter is that the growing informalisation of work is disenfranchising a

significant section of working people by excluding them from the rights and benefits to which they are entitled in a new labour regime. We call this the decent work deficit and have developed a Decent Work Deficit Index to measure this.

SECTION TWO: IDENTIFYING THE DECENT WORK DEFICIT

Based on seven variables of security in the workplace, a standardised Decent Work Deficit Index was developed in order to quantify the level of security in various jobs. Each variable was placed on a range from 0 to 1, with 0 equal to absolute insecurity and 1 equal to absolute security. The Index was constructed from quantitative (objective) and qualitative (subjective) indicators in order to establish the individual components of work and the level of decent work more broadly in the sector (Bonnet, Figueiredo and Standing, 2003:236; Ghai, 2003:135). A nine-page standardised questionnaire consisting of 54 questions was implemented during September and October 2007 by the authors of this study. Ninety-seven respondents, chosen through a purposive sample in each of the five sectors, were interviewed (See Appendix One for the full questionnaire.)

Given the impossibility of using a sampling frame in a study such as this, too great a weight should not be placed on the statistics, particularly as the sample is so small. The strength of the questionnaire is that it provides a basis for comparative analysis between and within the five sectors. At this stage, we only measure micro-dynamics, mainly based on information supplied by the workers we interviewed. The advantage of this is that one can obtain a sense of how workers subjectively experience their work at various points along commodity chains. A disadvantage, however, is that the subjective experience of workers can constrain comparisons between sectors. While a person involved in the recycling of scrap metal, for instance, may subjectively feel that he or she has high levels of skill (compared to a friend or family member who is unemployed), this subjective self-assessment may be the same as that of a worker in a textile factory, a sector where there is formal skills training that is regulated by a SETA. This implies that our micro-analysis in this pilot study has to be supplemented by meso and macro analyses, based on objective factors such as the presence of unions, formal training programmes, minimum wage regulations, and so on. At this stage we

have attempted to address this limitation by gathering information through direct non-participant observation at the respective work sites in addition to the implementation of the questionnaire.

Labour Market Security

Employment opportunities in a sector rely heavily on the external labour market, in particular on the availability of jobs for certain categories of workers with certain skills and specific race and gender characteristics. This indicator is not a subjective one based on the opinion of respondents, but is derived from the official employment data and the demographic data on skill in the questionnaire. This is the only indicator where we used indicators at the meso and macro levels. The more employment there is at national and regional levels, the more secure workers are, as they face less competition from job seekers willing to work for lower wages. Similarly, for workers of a specific race or gender, the higher the employment levels in those particular categories, the more secure those workers are, as they face less competition from other work seekers with similar gender and race profiles.

To measure employment opportunities in each sector we used five indicators. Indicators 1 to 4 measure the level of employment at national, provincial, race and gender levels. The higher the employment levels in the profiled categories, the higher they score on the scale of security from 0 to 1. The scale measurement was calculated on the basis that every extra percent of employment counted 0.025%. Thus:

0% unemployment = 1

10% unemployment =0.75

20% unemployment =0.5

30% unemployment 0.25

40% unemployment = 0

With gender and race, education levels varied from respondent to respondent. The higher the respondent's education level, the more employment opportunities the respondent had and the higher he or she scored on the scale of security from 0 to 1:

No formal education = 0

Primary education = 0.25

Secondary education (Grade 10) = 0.5

Secondary education (matric) = 0.75

Tertiary education = 1

The first four indicators were drawn from the raw data in the Labour Force Survey of March 2007. (There is a slight variation between the published data and the raw data, but for purposes of this study this variation remains unproblematic as the differences were too negligible to reflect on the scale of 0 to 1, and the same statistics taken from the raw data were used for all of the sectors. This permitted cross-comparisons to remain accurate.) The fifth indicator was drawn from the data gathered from the questionnaire.

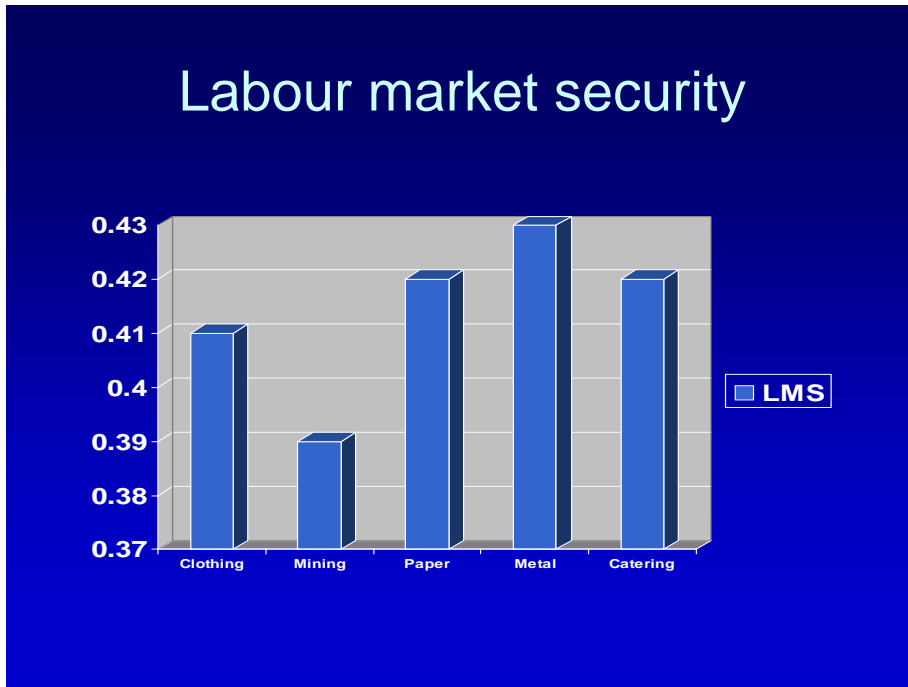


Figure 8: Labour Market Security

As can be seen from Figure 8, all sectors registered low levels of labour market security because of the high levels of unemployment in South Africa (23% nationally and provincially, 26% in Gauteng and 29% in North West). There is also a higher level of unemployment among black people (27% African and 19% Coloured), and female unemployment (26%) is higher than male (22%) (Statistics South Africa, 2007) The large numbers of immigrant workers further increases competition for jobs, especially in the mining sector where labour brokers recruit cross-border workers from Mozambique and Lesotho and, internally, from Free State and Eastern Cape. As one respondent remarked:

Employers prefer foreigners because they do not know their rights. They can be exploited by employers and will never complain. But us, South Africans, we complain, we go on strike if we are mistreated and we know our rights and are union members, so they do not mess with us (quoted in Benya, 2008:31).

Employment Security

One's level of employment security is usually measured by whether one has a contract of employment and how much protection there is against arbitrary treatment, and dismissal in particular. All unionised workers in the clothing, recycling and mining sectors did have contracts of employment and dismissal procedures. This enhanced their sense of employment security. However, one shoe does not fit all, and our findings suggest that this bureaucratic notion of legality implies efficiency maximisation driven by rational profit-based calculation, in turn based on impersonal market forces. Such a legalistic approach to employment security locks these enterprises into an 'iron cage' and excludes the role of affective and solidaristic considerations.

Let us illustrate. Many are self-employed or work in microenterprises where there are family ties. As one shebeen worker remarked in answer to the question as to whether he had a contract of employment:

This is my grandfather's place. He told me to take care of this house because I was not working ... this is an obligation of mine and I am glad to do it... I have never worked before in my life (quoted in Tsoeu, 2008:68).

In other cases the closeness of workers to their employers made them feel they were part of a 'community' and that no contract was necessary. Ironically, in our clothing case study workers without contracts, or indefinite or verbal contracts, seemed to have more security of employment than those with written short-term contracts because of the uncertainty about whether or not their contract would be renewed (Joynt, 2008:55).

A similar pattern of insecurity among those who had fixed-term contracts emerged in the mining case study. Those workers who were sub-contracted on short-term contracts to the mine by a labour broker felt more insecure than those in standard employment relationships. One respondent said, "Contract workers do not have rights like normal employees and that can lead to easy dismissal."

Another said, “I am a contract employee and can be dismissed any minute. They do not need a valid reason to fire me” (quoted in Benya 2008:36). Others spoke of their employment being terminated for being “over complement” (when the employer has more employees than needed). (quoted in Benya, 2008: 38) Another respondent remarked:

JIC does not only fire you for no reason, but also blacklists you at TEBA.... What happens is that JIC goes to TEBA and instructs the clerks to list you as an unworthy former employee. So every time when you go to look for a job, TEBA clerks tell you that you will never get a job because you have been blacklisted by your former employer (quoted in Benya, 2008:40).

To capture the more solidaristic features of informal work, we included two further questions in our survey: “How difficult is it to get a job like yours?” and “How easy it is to lose your job?” Our findings suggest that it is easy to get an informal job such as a paper collector, scrap metal collector or work in a shebeen. No formal qualifications are required, and one’s ability to get the job depends on informal social networks or kinship. In most cases shebeen owners hire family members or neighbours:

The manager is my next door neighbour and my best friend.

The owner and I are old neighbours. We grew up together.

I am related to the owner via my brother through marriage.

My auntie gave me the job. I was called by my aunt to come work for her, seeing I am unemployed (quoted in Tsoeu, 2008:66).

While it is easy to enter the job and skills are acquired outside of the formal school system, it is not easy to lose the job as family and kinship relations with the owners gives employees a level of security that is often greater than that of a fixed-term contract of employment.

The assumption behind the concept of decent work is that all workers should move from informal employment relations to a formal contract of employment. Our findings suggest that it may be better to emphasise the benefits of informal

relationships and knowledge to maximise and manage trust. Informal systems are 'embedded' in reciprocal exchanges which are very 'rational' because they sustain long-term exchange relationships.

Easy of entry and difficulty of losing a job also applies to collectors involved in recycling waste. All the scrap metal collectors interviewed said there were no barriers to entry. "This is an open field owned by the government, and no one else," one collector answered, "so anyone can collect here" (quoted in Ngoepe, 2008:33). Another remarked, "A family friend introduced me to the manager," and still another worker said, "The manager is my neighbour and he was aware that I was unemployed" (quoted in Ngoepe, 2008:33).

However, our respondents also revealed the vulnerability in these relationships that often lies concealed behind the ideology of 'familism'.⁸ When asked whether it would be easy to lose the job, one collector replied ambiguously, "Not really because my neighbour is the one who supplies me with scrap metal, so unless he stops providing me then I will not make a lot of money selling recyclable scrap metal." His co-worker underlined this vulnerability when he said, "It would be easy for me only if I get sick or get an accident" (Ngoepe, 2008:34).

This low level of employment security among scrap metal collectors is captured in Figure 9.

⁸ Dizard and Gadlin (1990:6-7) define familism as "a reciprocal sense of commitment, sharing, cooperation, and intimacy" embedded in "both material and emotional dependency and obligation.... Familism embraces solicitude, unconditional love, personal loyalty, and willingness to sacrifice for others."

Employment security

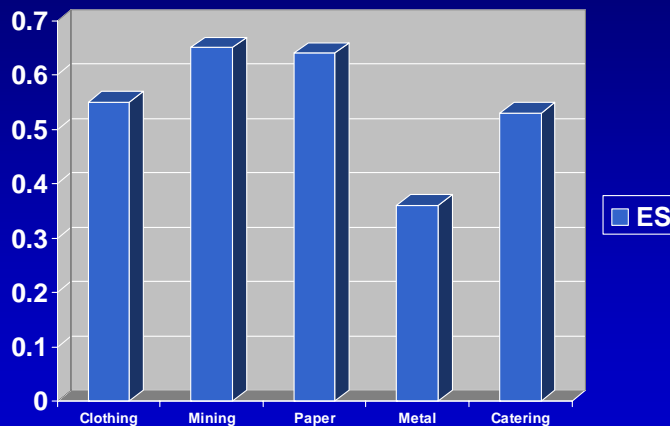


Figure 9: Employment Security

Job Security

Job security refers to an employee's opportunities to build a career. Career is quite central to the concept of decent work. In its English origins, it meant a road for carriages, and as eventually applied to employment meant a lifelong channel for one's economic pursuits. Flexible capitalism, Sennett (1998:9) argues, "has blocked the straight roadway of career, diverting employees suddenly from one kind of work into another." Much of informal work is best described by the term 'job', which in the English of the fourteenth century meant "a lump or piece of something which could be carted around" (Sennett, 1998:9). This certainly captures the nature of the jobs in recycling and mining, as this comment by a contract mineworker shows: "I'm a contract worker. I can be fired at any time for no reason. There is absolutely no future in this job" (quoted in Benya, 2008:63).

However, even where opportunities for a career are relatively high and workers receive very modest annual increases (50 cents a week), such as in the clothing sector, workers are not hopeful about the future, as these four comments demonstrate (quoted in Joynt, 2008:57):

I am looking to other less hectic things ... here we run around like headless chickens and earn nothing.

There is not enough money ... I have just been wasting my time for nineteen years and still they have not changed my job as a machinist in the factory. I only realise now that I am wasting my time.

I work only for food and transport. I cannot reach it all. I have worked in this for fifteen years now and I do not even have my own house any more. I can only afford to rent.

I am not going to work in this factory for many more years. This is not my dream job and I am still young.

Most of those involved in these jobs are doing them to survive, and their imagined future is much the same as the past and the present. As one scrap metal collector remarked, "I have a good future in this job because I am able to feed my family and I get an income every day." (Among these workers, income averages between R300 and R500 per week). Another put it more graphically: "*Ngiya panda*" (I make a plan for my family.) (Ngoepe, 2008:38).

Job security

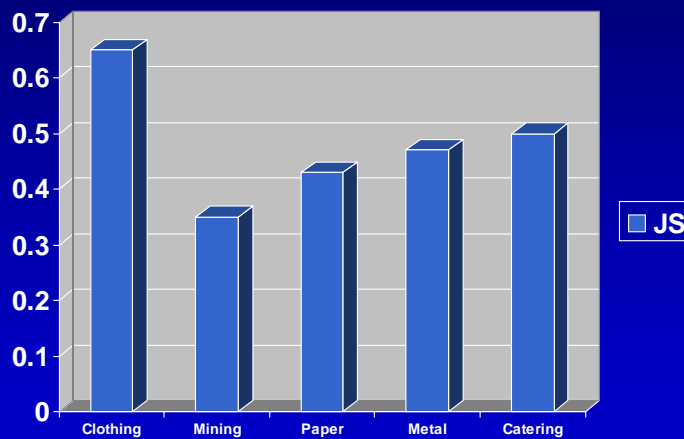


Figure 10: Job Security

It would be misleading, however, to dismiss these jobs as only concerned with survival and having no prospects for career advancement. Paper recycling is integral to the paper industry and progressive paper companies, as we showed in Section Two, are opening up career opportunities for ambitious collectors. The owner of Robertville Recycling started her working life as a collector, making R70 a day. Then she saw a newspaper article on Mondi's Small Business Initiative. She approached Mondi, who offered her funding and training on how to manage a business of her own (Dilata, 2008:48).

The perceived degree of job security in the five case studies is shown in Figure 10.

Work Security

The focus of work security is protection against accidents and illness at work as well as the effects of excessive working hours on the health of employees. As indicated in Table 6, fatalities on platinum mines remain high, although they are covered by strict Health and Safety legislation.

Table 6: Fatalities at platinum mines, 1996-2006

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Number of fatalities	45	53	44	39	46	49	53	60	65	47	40

Source: Chamber of Mines of South Africa (2006).

It is clear from our interviews that there is a low level of compliance on the mines. In particular, our respondents reported that the ear plugs given to them did not effectively block the noise, resulting in many workers experiencing partial deafness.

I came here hearing properly, but as time went by, I lost my hearing completely. As you can see I cannot hear a word you are saying, without this man [*pointing at the translator*] I cannot hear anything, even with him, I can't hear him but I've learned to read his lips (quoted in Benya, 2008:45).

Another said, "I've been moved from underground to the surface because I can no longer hear; they are going to get rid of me soon" (quoted in Benya, 2008:45).



Figure 11: Work Security

Scrap metal collectors complained of the negative effect of dust from the processing of scrap metal. Collectors of paper waste also reported danger from hazardous chemicals and syringes that are sometimes thrown into the landfill sites. The risk of getting injured while at work is high because they do not wear gloves while they are digging through the waste. It was clear that the Health and Safety Act did not protect these workers from their work environment.

While the popular perception is that these work sites are unsafe, the impression we gained from our interviews was that there is a surprising amount of order and solidarity among the workers. Although they are self-employed and there are no formal work hours, we were surprised by the degree of self-regulation. Most of the collectors work from 8am to 4pm or from 9am to 5pm, thus working a normal eight-hour day. However, those working in the clothing industry and shebeens complained of working long hours and working at night. One self-employed

interviewee running a small clothing factory said, “There’s too much stress here. Sometimes we sleep here overnight when it is too busy, but sometimes there is no business for the whole month” (quoted in Joynt, 2008:52)

Working hours in the shebeens are the most irregular of our case studies. Many start work when the shebeens open in the morning and work into the early hours of the next morning. According to the Sectoral Determination for Catering, night work is defined as being from 6pm in the evening until 6am the next day (Government Gazette 29885, 2007:16). According to paragraph 15, an employer can only require an employee to work night work if they intend compensating them with an allowance or reduction of working hours. The employer has to provide the employee with transportation to the employee’s residence at the conclusion of the shift. All the taverns and shebeens interviewed said that they provided their workers with free transportation to their residence after a night shift, but did not pay overtime.

The major cause of work insecurity is from criminal activities. One interviewee explained,

There are robberies at the factory. They come in, we get held up, and they take all of our phones and everything. Crime is the highest in Doornfontein. Sometimes they hit the car windows on the corner here and take the stuff. It is not right at all here ... you must be careful.

Another interviewee explained that it was very unsafe in the factory where she worked because of electricity and “sometimes these big [electrical] shocks come down from the ceiling”.

The respondents in the recycling industry complained about crime and abuse from the public. One of the sweepers said, “Sometimes people throw us with bottles or water balloons. I once got an accident like that, at work they just took me to hospital and tomorrow I went back to work. Nothing changed.”

The street workers feel more vulnerable at work because they are women and the security provided by the company is inadequate. One supervisor is responsible for eight streets, and anything could happen to the workers while the supervisor is gone. The workers felt that there was no one who protected them. “They say we must go in pairs, but two ladies in the street will do nothing when men come with guns to them.” The sweepers were afraid because they were working in a dangerous part of town (Hillbrow) (Dilata, 2008:53-4).

Skills Reproduction Security

The key indicator in this variable is whether there are opportunities to gain and retain formal skills. As Figure 12 indicates, the mining case study provides the most extensive skills reproduction of the sectors we looked at. However, subcontracted workers that work for small labour brokers all reported that they did not get any kind of training before starting their jobs. One worker said, “They just call you to come and work. When you get here, you follow the rest of the group underground and you start working.” However, SER and externalised workers from bigger contractors all reported that they had received training before starting work. They went for induction and were taught how to use their machines, avoid accidents and how to check their machines before using them. One of the SER workers reported, “We went for training when we started working here. But now they don’t want to train us any more because we are going to be replaced by contract workers anyway.” Another said, “Why should they take us for training when contractors are going to be taking over our jobs in the next months?” (quoted in Benya, 2008:59).

The clothing industry also provides opportunities for gaining and retaining skills. One of our respondents had been sent to the Johannesburg Sewing Centre, a service provider funded in part by the Sector Education Training Authority, to study a course on pattern making and sizing. Another worker with formal training

worked in a factory which specialised in making ties. She had been trained by a German technician who flew to South Africa for a week to teach her how to use an advanced computerised machine (Joynt, 2008:61). Two other respondents also had formal training, one at a technikon in Accra, and another studied fashion design at a technikon in South Africa. One owner of a small clothing factory, a Malawian, had been taught sewing skills by his father.

However, in the bulk of cases workers did not get any formal training for their jobs. They were either trained on the job or used informal knowledge or tacit skills. Some of those we interviewed felt that this form of knowledge would be sufficient to assist them in getting other jobs. One scrap metal respondent said, “As long as you know the difference between the different types of metal and their grades, then everything else is easy” (quoted in Ngoepe, 2008:44).

Paper recycling is at the bottom end of the skills reproduction index. Little formal skill is needed to do any of the jobs in the waste recycling chain. All jobs in the chain showed levels of skills reproduction security below the average. No formal training is needed for the job, because the job consists of picking paper.

To assume that these men and women lack skill because they require no formal training would be to misunderstand the nature of their work. In a study of homeless men who are waste recyclers in San Francisco, Gowan (2000), who spent time living and studying their working conditions, concluded that the men saw their work as a challenging, socially useful activity, which gave structure to their days. They said that, rather than resorting to a life of crime they thought that it was better to earn a decent and honest living through recycling. These recyclers viewed their work as a profession; as one man said, “You tore into those bags like a pack of coyotes, man. Definitely letting down the profession....” (Gowan, 2000:68). This quote shows how these recyclers tried to make their jobs as decent as possible, as a way of trying to make the public change their view of them and stop seeing them as scum (Dilata, 2008:20).

The fact that scrap metal collectors score the same as workers in the clothing sector, where there are systems for workers to acquire formal skills through a SETA, may seem puzzling. There are a number of possible explanations for this. The first is that the rating is based on a subjective self-assessment by the interviewees. A measure of relativity is built into these assessments, since the interviewees most probably compare their own levels of skill to those around them. Clothing workers in small, informal enterprises may compare their levels of skill to workers in formal enterprises. All these enterprises – both informal and formal – are located in the Fashion District, and provide a point of reference. The points of reference of scrap metal collectors, on the other hand, most probably includes unemployed people whom they encounter on the street, who do not have the skill to sort metals or the knowledge of where they can get money for collected pieces of metal. There may also be a gender bias. It has been documented that skills used in the clothing industry are seen as ‘natural’ to women. All women, according to the stereotype, can stitch, sew and knit. Hence, women’s skill is devalued by society and in the labour market.

When one includes more objective meso and macro indicators, this index may change somewhat.

Skills reproduction security

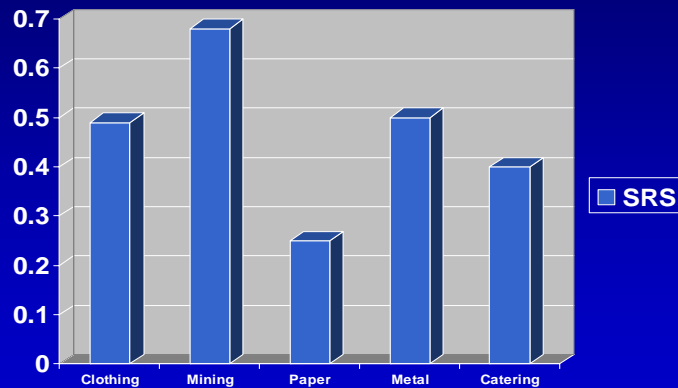


Figure 12: Skills reproduction security

Representation Security

Representation security refers to whether workers have an independent collective voice in the labour market through which their interests can be represented. Despite the fact that there is no statutory Bargaining Council in the mining industry, it has the strongest collective voice of all the sectors studied because it has a strong employers association, the Chamber of Mines, and workers are represented by COSATU's largest union, the National Union of Mineworkers. Largely because of the NUM's strength, employers have attempted to bypass it by introducing a growing proportion of subcontracted labour as described in Section Two. Furthermore, employers do not negotiate with the platinum sector as a whole; instead they negotiate with individual platinum mines. In an attempt to contain this encroachment on hard-won labour rights, the NUM negotiated an agreement with the labour broker JIC.

The Parties [JIC and NUM] acknowledge and recognise the right of employees to associate or not to associate with any trade union ... the Company undertakes to take all reasonable steps to ensure that no person infringes on these rights and protection ... the parties undertake to comply with all collective agreements concluded between the company and the union regulating wages and terms and conditions of employment (Benya, 2008: 45)

Despite the agreements signed by NUM and JIC, in practice circumstances are quite different. Although most of the workers at both mines are unionised, what is distinct about this unionisation is that for subcontracted workers, especially at JIC, the Federated Miners' Union (FMU) is not independent from management. What is interesting about this union, according to workers, is that it only has active leadership and inactive members. What they mean by this is that it only has leaders because all its "members" were forced to join it or forfeit their jobs.

When workers were asked how they joined the FMU, one worker said, "When I was filling in the job application form, at the back of them was an FMU membership form and I was told I had to fill them in if I really was serious about getting a job." Another said,

We had an illegal strike recently and all of us were fired for participating in that strike. After NUM negotiated for us to come back, only a few of us were taken back. When they were hiring again, they asked us which union we belonged to and anyone who answered NUM was told there are no more jobs. People were told to change to FMU if they wanted their jobs back and so many people registered with the FMU since they wanted their jobs back. This resulted in NUM being de-recognized by JIC because of fewer members (Benya, 2008:46).

Due to the increasing use of subcontract labour, many employers are de-recognising NUM. De-recognition of a union is basically the cancellation of a recognition agreement with the union. This has happened at Bafekong Rasimone Platinum (BRPM) in Rustenburg. The employer (JIC) has de-recognised NUM because they claim that their membership is lower than that of FMU.

De-recognition is not a new phenomenon in unions (Benya, 2008:68-9). Kenny (2007) argues that SACCAWU, a retail union, has also been de-recognised by a

number of employers because of the regular use of casual workers, and because the number of casual workers has surpassed that of full-time workers.

The fact that labour brokers want to control worker representation by introducing their own in-house unions shows that unionisation gives workers some form of power. In his study on mines, Bezuidenhout (2006) found that SER workers are more secure because they are unionised. The corollary of this would be that non-unionised, externalised workers are insecure. The workers that Bezuidenhout refers to, he argues, have representatives (shop-stewards) to speak on their behalf and air their grievances, unlike subcontracted workers.

The second-highest sector in the representation indicator is the clothing case study. SACTWU is the largest union in the clothing and textiles industry, and therefore rival unions are not a major challenge, especially in the clothing sector. Vlok, a SACTWU researcher (Interview, 8 November 2007), notes that rival unions are very small and are mainly a problem in the footwear and leather sectors.

Anyone who is employed in the clothing industry can become a member of SACTWU. If you lose your job you can still use some of the union benefits, but there is a window period after which you cease to be a member of SACTWU. Although it seems to be a trend for employers to issue short-term six-month contracts, Vlok notes that casual and temporary workers are less of a problem in clothing than in other sectors. High union density, which includes the membership of many short-term contract workers, and the fact that formal enterprises have an agreement to conform to union regulations, means that it becomes difficult for employers to constantly hire workers on a short-term basis.

In labour law, both the Labour Relations Act (LRA) and the Basic Conditions of Employment Act (BCEA) apply to the clothing industry. As well as ensuring that

these acts are implemented in the factories in which the workers are organised, SACTWU also operates in three national and three regional bargaining councils.

Previously there was a gap in the labour legislation which enabled subcontractors to avoid compliance with national labour laws. However, the Labour Relations Act formalised the role of labour brokers who are now legally bound to comply with minimum standards.

There are a number of labour brokers who supply labour to clothing factories. One of the registered labour brokers which supplies labour to different types of factories is Dynamic Labour Solutions in Johannesburg. According to Taylor (Interview, 5 September 2007), a sales assistant for Dynamic Labour Solutions, the company has a large database of workers with both high-end technical skills and low-end general skills. The company is registered with the Bargaining Council for Clothing and Textiles. This means that, as an employer, it is represented in bargaining council negotiations and has to comply with the settlements reached between SACTWU and the employers in the industry.

Yet, according to Taylor (Interview, 5 September 2007), the company “generally manages to avoid trade unions”. The company takes the administration and labour law responsibilities for the workforce that it provides to a factory, and issues workers on its database with short-term contracts which may be renewed, depending on how much work is available.

Due to the international dimension in the clothing industry, the Department of Trade and Industry (DTI) plays an important role regarding import restrictions (i.e., quotas and tariffs) and in facilitating co-operation between labour (represented by SACTWU), business (retailers) and government. Previously, the Customised Sector Programme (CSP) headed by the DTI facilitated this dialogue and encouraged “competitiveness all along the clothing value chain” (Bisseker, 2007:42). In 2007 however, the CSP was phased out by the DTI due to a lack of co-operation from retailers, who are unhappy with the protectionist quotas which

the DTI introduced to cut Chinese clothing imports by a third from September 2007 (Bisseker, 2007:43).

The three-year quota plan for Chinese goods, introduced in 2006, is a temporary measure meant to reduce job loss in the industry, to create a space for factories to start implementing measures to improve their competitiveness, and to enter into conversation about the procurement practices of South African clothing retailers. The implementation of the quota has been ineffective as illegal imports still enter the country, mainly due to under-invoicing in which importers claim that the value of their clothing imports is less than its real value and hence attract less tax at Customs. Additionally, goods from China are sometimes simply repackaged and declared to have been made in other countries (Maree, Interview, 9 November 2007).

The World Trade Organisation (WTO) has criticised South Africa for implementing the quotas, citing evidence which shows that in the long run the quotas may actually do more harm than good for the industry. According to Alejandro Jara, a top WTO official, quotas which the United States (US) and European Union (EU) imposed on Chinese goods had “merely led to a substitution of suppliers”, with Bangladesh, Pakistan and Vietnam entering the market, and had not reduced imports at all (Le Roux, 2007:1-2).

Additionally, quotas are usually imposed on low-end product lines, which encourages Chinese manufacturers to “target higher value-added product lines, thus entering niche product lines” in which local manufacturers previously had a competitive advantage (Le Roux, 2007:1-2). According to Jara, “When the negative quotas are lifted, [South Africa] will have a bigger area where its manufacturers are facing competition” (Le Roux, 2007:1-2 in Joynt, 2008:69-70, 74-8)

Representation security

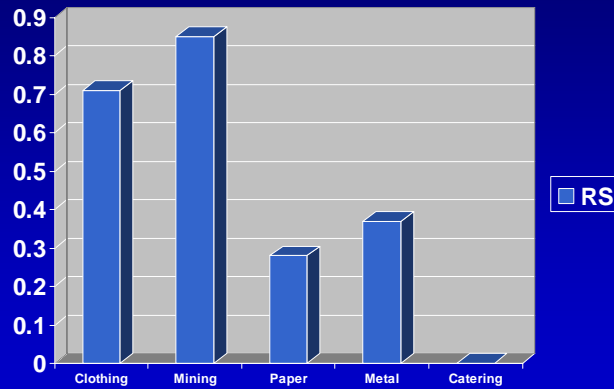


Figure 13: Representation security

As can be seen from Figure 13, there is no collective representation in the catering case study. This is in large part due to the difficulties of unionising small family enterprises. Many respondents would argue that it is not logical to organise into a union against a family member to demand to be paid better wages. This would certainly cause trouble within the family. It could, it has been argued, be like biting the hand that feeds you (Tsoeu, 2008).

There is a strong underlying assumption in the representation security variable that for work to be decent workers have to have independent collective representation. This assumes that lack of collective representation results in a form of 'indecent work'. On the other hand, it could be argued that family and kinship labour could be more secure and safer than workers who are represented by a trade union. Being related to the owner of the shebeen or a tavern may be the best form of security there is in the informal enterprise (Tsoeu, 2008:80).

While there may be some truth in this populist and fashionable notion that vibrant social networks rooted in kinship or community support their poorer members, a recent article raises a note of caution. It has been argued that:

... such social networks are continuously created and recreated in ways that are likely (or more likely) to manifest pervasive inequalities: they are hierarchical and often amount to patron-client relations; they are means of accumulation and mobilisation of labour, land and political support by the powerful; money is required to maintain (or buy into) authority and to command followers; they operate on the ability of their powerful members to exclude others; and so on – all of which is represented in (typically) patriarchal idioms of common descent and identity (Bernstein & Woodhouse, 2006:161).

Income Security

The concept of income security is the anchor variable in the Decent Work Deficit Index. Although the amount of money earned per week is the key indicator, the concept of income security includes four other dimensions: the degree of regularity of the income, whether there is a minimum income, whether income includes non-wage benefits, and how many others are dependent on the income.

The five case studies all examine low-wage jobs that have incomes ranging from R263 through to R575 per week (see Table 7).

Table 7: Average income per week in case study sectors

Sector	Average Weekly Income
Clothing	R562
Mining	R575 for SER workers R350 for subcontracted workers
Paper	R263 for collectors R538 for workers at buy-back centres
Metal	R460
Catering	R370 for workers at taverns with less than ten employees R412 for workers at taverns with more than ten employees

The employment history of the interviewees confirms the view that there is considerable churning in the labour market, whereby individual workers move from one insecure, low-paying job to the next (Devey, Skinner and Valodia, 2006). Some move from formal but low-paying jobs into the informal economy with very little difference in their wages:

Our analysis of the March 2007 Labour Force Survey (LFS) panel data suggests that there is a surprisingly high level of churning in the labour market, with high levels of movement between formal and informal jobs. The data suggests that these movements occur primarily in the low-waged segment of the labour market, and incomes do not appear to rise and fall as workers move between formal and informal jobs (Devey, Skinner and Valodia, 2006:19).

In both the clothing and catering sectors, minimum wages have been laid down and these minimums are required to increase every year. The minimum wage in catering is established through the Sectoral and Wage Determination for the Hospitality and Catering Sector, which provides for annual increases on the basis of the previous minimum wage plus CPIX plus 2% per annum (Tsoeu, 2008:12). The clothing industry is covered by the Labour Relations Act and the Basic Conditions of Employment Act. There are three national and three regional Bargaining Councils where minimum standards for the sector are agreed. At the national level, these are:

- National Bargaining Council for the Clothing Manufacturing Industry (NBC);
- National Bargaining Council of the Leather Industry of South Africa (NICLI); and
- National Textile Bargaining Council (NTBC).

At the regional level, these are:

- Bargaining Council for the Canvas and Ropeworking Industry (Cape);
- Bargaining Council for the Canvas Goods Industry (Gauteng); and
- Bargaining Council for the Laundry, Cleaning and Dyeing Industry (Natal).

Additionally, SACTWU conducts “plant-level substantive collective bargaining” at 152 workplaces around the country (SACTWU, 2007). These Bargaining Councils address wage issues and ensure that workers are treated fairly by their employers.

Within the Bargaining Councils, both labour and industry decide on minimum standards for working conditions in the sector. Settlements can only be finalised if both sides reach a mutual agreement. Enterprises can apply for an exemption from Bargaining Council minimum wages, and all small businesses with less than five workers can legally register with the Council without necessarily complying with minimum standards. According to Vlok (Interview, 8 November 2007), the system is very flexible, with wages based on a variety of factors including how close the factory is to main centres and variety between different sectors (e.g. leather goods, textiles, home textiles, weavers, etc.).

The legally prescribed minimum wages for the clothing sector – Wage Determination 471: Clothing and Knitting Industry, 1991 – were cancelled as of 1 June 2007, because the Basic Conditions of Employment Act of 1997 now covers the sector (Department of Labour, 2007:3). Included in the BCEA are sections on regulation of working time, leave, particulars of employment and remuneration (wage-time ratio in terms of number of hours worked), employment and conditions, and implementation measures.

According to Crouse (Interview, 18 July 2007) the BCEA regulations controlled by the Department of Labour are reactive and investigations are carried out to follow up complaints that are lodged with the Department. The Bargaining Council operates on a higher level, as it can now officially publish sectoral

determinations for the clothing sector and it is proactive in its regulation and investigation of labour standards at various factories. The Department of Labour and SACTWU work together to decide on minimum standards for the sector.

Since 2004, all manufacturers at national level are legally bound to comply with the National Bargaining Council for the Clothing Manufacturing Industry, which has taken the previous government sectoral determination into its agreement and extended it to cover both metro and non-metro areas (Vlok, Interview, 8 November 2007). The NBC specifies minimum wages for 24 categories of workers in the clothing industry, many of which have sub-categories according to levels of qualification and experience (NBC, 2006).

Although these minimum standards are in place, there are serious problems around their implementation by manufacturers in the clothing industry. Inspection of compliance with labour standards and health and safety is sometimes restricted, as inspectors are not allowed to enter private dwellings without consent (Bergmann, Interview, 18 July 2007). This is particularly problematic in the case of home workers in more rural areas. In the rural areas and small industrial towns such as Newcastle and Ladysmith, non-compliance levels with national Bargaining Council rates are currently estimated at 85-90% (Morris, Interview: 9 November 2007).

According to Crouse (Interview, 18 July 2007), this is an indication that the Bargaining Council is declining as an entity, especially in non-metro areas, and may die out. Crouse asserts that the Bargaining Council and SACTWU should be strengthened as they perform the vital role of regulating working conditions in the industry.

Wages in the platinum mines are set through collective bargaining at the company level, where a basic wage is agreed. The Anglo Platinum Conditions of Employment Manual states, “No category of employee shall be paid less than the minimum negotiated wage specified for his/her position” (in Benya, 2008:49).

The wages of collectors in the recycling industry are not regulated by any statutory or non-statutory framework. The result is that the money they earn is very inconsistent, depending on how much waste they can gather in a day and the prices the buy-back centres are willing to give them. The income of those collectors who work at the landfill sites depends on the amount of waste dumped by the city and on the quality of that waste.

Figure 14 provides a summary of the income security indicator for the five case study sectors.



Figure 14: Income Security

It is difficult to establish the degree to which employers comply with the agreed minimum wages in clothing, catering and mining. Based on a careful examination of pay-slips, our research revealed widespread abuse on the platinum mines through the use of labour brokers who illegally deduct large amounts of money from subcontracted workers (Benya, 2008:52-8). In one case the worker was paid a gross wage of R2 021 for the month, but took home only R241.83 after deductions by JIC for their retirement fund, union dues, hostel accommodation and transport fees. This is in spite of the fact the agreement with JIC states, "... where applicable, [JIC will] provide for reasonable accommodation for its employees, members of the union, who participate in the bargaining process without any charge" (quoted in Benya, 2008:53).

Similar problems were identified with labour brokers in the clothing sector (discussed under the Representation Security variable), but with the added problem that implementing labour standards in 'domestic factories' is more difficult as Department of Labour inspectors are not allowed to enter private dwellings without consent (Joynt, 2008:75).

The Department of Labour is intent on prosecuting those employers who are not complying with the new Sectoral Determination in the Hospitality and Catering Sector. However, such a task on a nation-wide basis will require considerable resources. To date, it seems that many restaurants in and around Johannesburg are ignoring the minimum wages, and waiters and waitresses often have to survive on tips only (Tsoeu, 2008:13). It is estimated that they create as many as 118 360 jobs in the informal economy, which can be traced back to the activities of SAB in the distribution and selling of its products (Tsoeu, 2008:41)

In shebeens, there are other obstacles to enforcing compliance with minimum standards. The requirements for a shebeen becoming a tavern and operating

within the law, and obtaining a licence in terms of the Gauteng Liquor Act of 2003, is immensely time-consuming and costly (Tsoeu, 2008:11-18). The result is that many remain unlicensed because they find it easier to operate illegally.

Furthermore, many of these enterprises are family businesses which draw on the labour of their children. As one shebeen owner remarked;

They are not workers. They are not duty bound to sell the liquor. As children they are doing so because I am their parent and they feel obliged to sell in my presence or in the presence of their older sister. You must also remember that I am teaching them life skills like any other parent, that everything in life is worked for. My mother taught me that value; I am doing the same. If I let them sit and not help out in the house I am teaching them that it's fine not to be productive and I do not want that (quoted in Tsoeu, 2008:56).

The problem arises in this case because the living space is both a business space (the liquor fridge is in the dining room along with the television and sound systems) and also a space where the children do their homework. When the children clean the living room they are undertaking acceptable home chores; however, when they sell beer to a customer they are 'employed' illegally. This artificial separation of employment and household duties does not capture the complexity of enterprises that operate from homes.

A key indicator of the degree of income security is whether workers receive non-wage benefits. All workers in South Africa are covered by the Basic Conditions of Employment (BCEA), which regulate the employment relationship, providing for compulsory paid leave and UIF contributions, limits on working time and other aspects of the employment relationship. However, because social assistance protection comprising contributory and non-contributory schemes is premised on the existence of an employment relationship, many of the workers in our case studies are not eligible (Theron, 2005) Where unions are active, workers often benefit from the employer contribution to medical aid schemes and pension funds as well as funeral benefits, housing subsidies and end-of--year bonuses. In the clothing industry, largely through a successful union investment company that has given R800 million to the union over the past decade, union members have access

to an educational bursary programme (Rose, 2003). In addition, the union has negotiated, through the Bargaining Council, easy access to clinics, optometrists and dentists through the Healthcare Fund, as well as funeral benefits, HIV/AIDS testing, education and a pilot anti-retroviral programme (Joynt, 2008:71).

On average, in all the case studies respondents had four dependents and were living in households where they were providing for the children of their siblings or unemployed family members. Their household incomes were supplemented by social grants, often child grants but also pension grants and disability grants. A number of households supplemented their incomes through members undertaking casual work such as cleaning and washing clothes, selling clothing and doing piece jobs such as loading goods, driving trucks, working on building sites and doing odd jobs in people's homes such as making shelves and repairing furniture (Tsoeu, 2008:82-4). Most of those working in the taverns and shebeens had never held 'permanent' jobs in their lives in spite of the fact that their average age was 33.3 years (Tsoeu, 2008:84).

SECTION 3:

THE NEED FOR A NEW REGULATORY FRAMEWORK TO OVERCOME ECONOMIC AND SOCIAL DUALISM

The five case studies in this report demonstrate that informality is best seen as a continuum where economic activities are connected in a hierarchical value chain. While the chains are closely connected, they express very unequal power relations. In other words, the ‘two economies’ are asymmetrically interdependent. The producers (those recycling paper or scrap metal) and those providing a service (the owner drivers and those working in shebeens) are captive to the product specifications of the buyers of these products and services such as Mondi, Scaw Metals and South African Breweries. Although they purport to be self-employed, these workers are actually ‘self-employed proletarians’ working for the large paper and metal factories or, in the case of the owner-drivers, for SAB.

The vulnerability of those at the bottom of the chain has been made visible in this report through the researchers entering these worlds of work through ethnographic research methods. This involved on-site observations, in-depth interviews, photographs and the implementation of a semi-structured questionnaire that culminated in the development of a Decent Work Deficit Index for each sector. This index reveals that at the formal end of the value chains are employees with high levels of security and at the informal end are employees with low levels of security.

Both the clothing and mining sectors are at the high end of the formality-informality continuum with relatively high employment, job, work, skill reproduction, representation and income security. Although there is some variation within these two sectors, especially because of the lack of implementation of mining health and safety regulations, workers benefit from unions and a framework that attempts to regulate employment relations in spite of the attempt by employers to by-pass the new workplace regime through the use

and abuse of labour brokers. Where unions do not exist and a regulatory framework is not implemented, as in recycling and catering, the decent work deficit is higher. In these sectors:

- employment security is lower as workers have no formal protection against arbitrary treatment;
- job security is lower because there are virtually no opportunities to build a career;
- work security is lower because of a lack of protection against accidents and illness;
- skill reproduction security is lower because there are no opportunities to gain skills;
- representation security is lower because workers have no collective voice in the labour market through independent unions; and
- income security is lower because incomes are irregular and there are no non-wage benefits.

Figure 15 illustrates the existence of what we have called an informality continuum. At one end of the continuum we have identified the existence of greater workplace security for clothing workers and mineworkers. At the other end of the continuum are those workers in shebeens and taverns, with the collectors in the recycling industry placed close to catering but slightly higher.

Decent Work Deficit Index

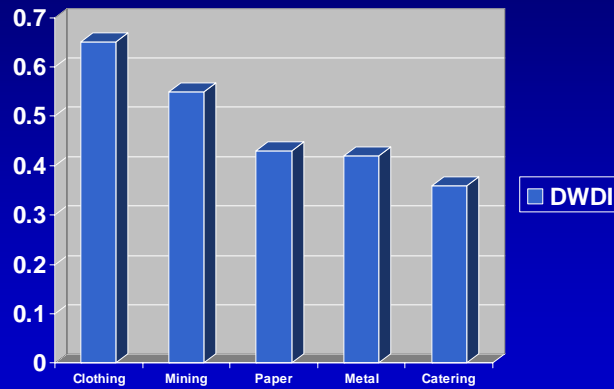


Figure 15: Decent Work Deficit Index

Variations in specific sectors

An important finding in our research is that there are not only important variations between sectors in the informal economy, but also sharp variations within each sector that are not captured if sectors are the only unit of analysis. This can be illustrated by disaggregating each sector around variables in the Decent Work Deficit Index and their location in the value chain. We will first analyse each sector individually and then offer an explanation for this variation.

The key distinction in the clothing sector is size. On the one hand are small to medium enterprises (SMEs) with up to 200 employees, and the other hand micro-enterprises with less than ten employees. In Figure 16 the first type is referred to as Medium and the second type as CMTs – Cut-Make-and-Trim outfits.

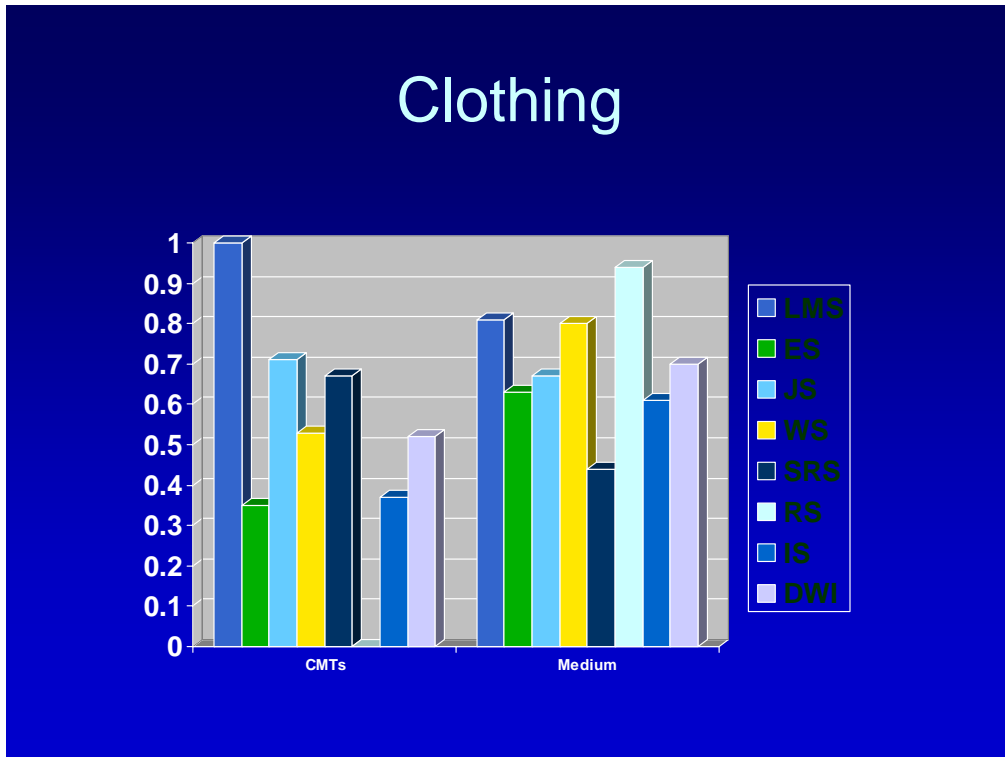


Figure 16: Security in the Clothing Sector

As can be seen from Figure 16, the medium-sized enterprises have higher levels of security than the smaller-sized and often unregistered CMTs. The reason for this difference is that the level of unionisation is lower in CMTs.

Table 8 Organising rate of trade union by the size of businesses (Korea)

Number of Employees	Composition of union members	Organising rate
1-4	1.7	0.9
5-9	3.8	2.6
10-29	13.9	7.4
30-99	23.7	13.6
100-299	19.3	21.4
More than 300	37.7	35.5

Source: Yu sun Kim (2007) cited in Policy Discussions on MSEs in KCTU, 2007

In mining the key distinction lies between those workers who are in standard employment relationships and those who have been sub-contracted to work on the mines by labour brokers (see Figure 17). There are differences between labour brokers, but the greater degree of insecurity of subcontracted workers is sufficient to warrant treating the contract of employment as the decisive explanation.

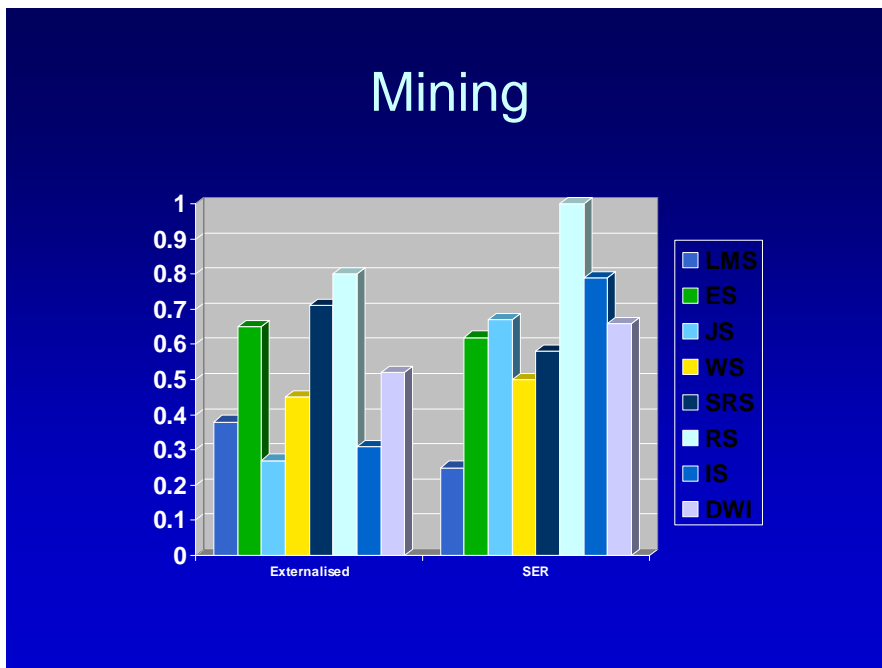


Figure 17: Security in the Mining Sector

In the case of recycling, the key distinction lies in the location of workers within the value chain. In the case of scrap metal workers, each link of the chain performs different tasks – those who collect the scrap (the collectors), those who sort the different grades of metal at the landfill centres (Molefi and Doornkop), those who cut and clean (Reclam), and those who process and smelt the metal and are in a standard employment relationship (Scaw Metals). What is striking in Figure 18 is that levels of security increase as one goes up the chain, with the levels of insecurity lowest where the collectors try to create a living for themselves.

Metal recycling

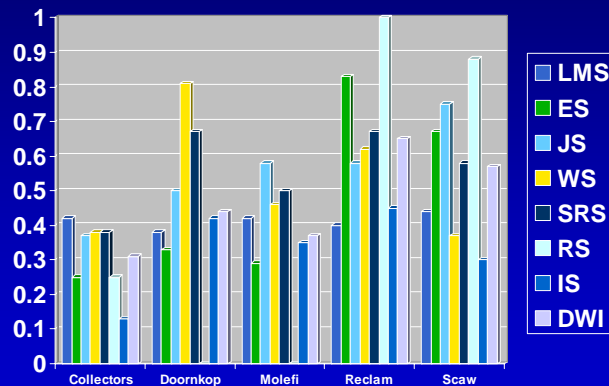


Figure 18: Security in Metal Recycling

A similar pattern emerges in the paper recycling chain, where three nodes along the chain were identified – the informal collectors of waste paper, the collectors at the two buy-back centres (Remade Recycling and Robertville Recycling), and the street cleaners and truck drivers who are employed by Pikitup. Workers from Pikitup have the highest level of security as they are organised by the South African Municipal Workers Union (SAMWU). As a result, they have significantly higher security than the informal collectors even though they perform much the same tasks.

Whereas in clothing and mining we used the size and the nature of the contract of employment as the key distinction, and in recycling we used location in the value chain, in the case of catering we did not disaggregate the Decent Work Deficit Index. Instead we used the relationship of workers to the market as a way of distinguishing between those enterprises where labour is paid solely in money –

capitalist commodity production – and those where it is a combination of paid and unpaid labour – petty commodity production (Wield and Chattaway, 2000). The relationship is shown in Figure 19 and in Table 8.

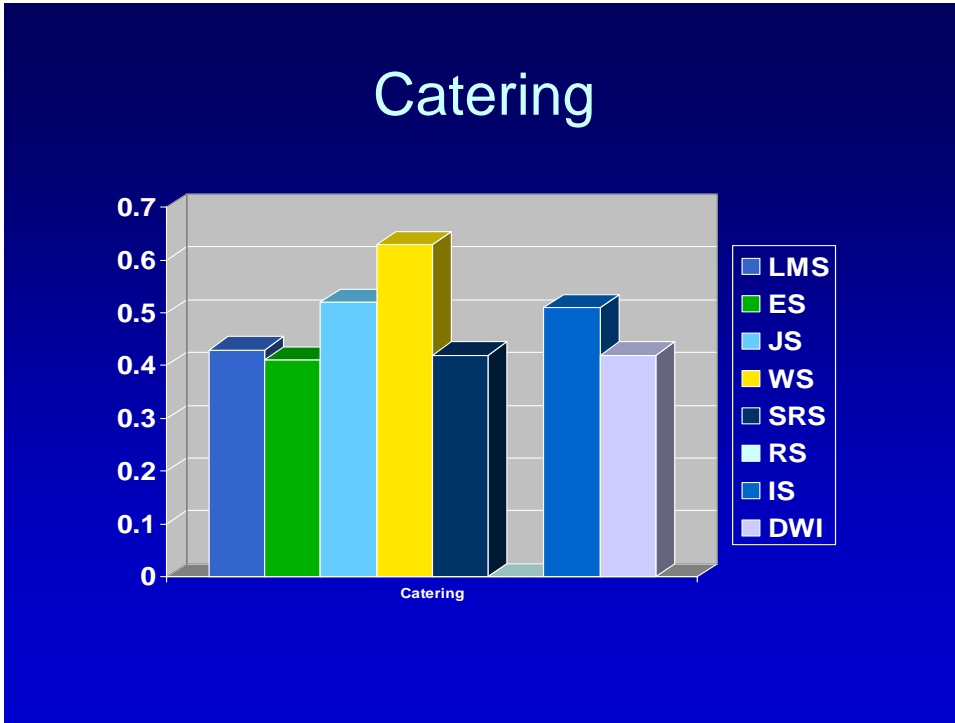


Figure 19: Security in Catering

Table 9 Petty commodity production and capitalist commodity chain

Form of Work	Remuneration	Principles/Relations	Examples
Petty commodity production	Unpaid but remunerated through the market	Market principles. Self-employment and employer-employee relations.	Informal economy (legal and illegal) Taverns 2, 4, 5, 7, 8
Capitalist commodity production	Paid and remunerated through a wage	Market principles. Employer-employee relations (family labour remains present)	Full-time employment, casual labour Tavern 1 (all 11 employees are family members). Tavern 3 (all employees except one are friends). Tavern 6 (1 employee out of 5 employees is a family member).

Adapted from Wield and Chattaway (2000: 119)

In the case of petty commodity production, the shebeens operate according to market principles in that they are open for customers every day at set times and make money from the services they provide. However, the nature of the employment relations are distinctive in that the owner draws mostly on unpaid family or household labour. The operation is usually on a small scale, and the business is integrated into the home. In the case of capitalist commodity production, there is a clear demarcation between the business and the household, and business takes place in a separate building. The owners use paid non-family labour either on a part-time or full-time basis. They are required to operate as formal businesses if they are to benefit from SAB deliveries and other accessories such as fridges. As a result, this type of enterprise invoices, orders and keeps receipts, has bank accounts, an address and a phone number where the owner can be contacted, and signs enforceable contracts (Tsoeu, 2008:51-2).

We have identified two key determinants of workplace security in this study:

- The first is the degree of representational security. Our research confirms that those sectors with representational security, such as clothing and mining, have higher levels of workplace security than those that do not have a collective voice, such as recycling and catering. We call this the representational gap. However, there are two key variables within mining and catering that effect unionisation: the size of the enterprise and the nature of the employment relationship. Small clothing enterprises are less likely to be unionised than medium-sized enterprises. Employees in standard employment relationships enjoy considerably better conditions than those employed by labour brokers.
- The second is the location of workers in the value chain. Producers at the bottom end of the value chain are captive to the product specifications of the buyers of their products or services. Conventional trade union strategies of workplace bargaining are very difficult to implement where workers are ‘self-employed proletarians’ working on the street or engaged in family labour from home.

What emerges from this distinction is that the current form of labour market governance is designed for the first situation but not the second where workers’ bargaining leverage is determined by their location in the value chain. Recent research on attempts at organising in the periphery suggests there is potential for organisation and mobilisation although there are major difficulties and obstacles to achieving this (Von Holdt and Webster, 2008). Significant progress will only be made if there is a concerted effort to commit resources and, above all, develop innovative new associational strategies that recognise the potential of symbolic power or moral power as an alternative to the erosion of structural power (power that results either from the location of workers in the workplace or in the marketplace through the skills they have). Building symbolic power requires an

emphasis on contesting the public arena – both physically in streets and neighbourhoods and cities, as well as in the media – and constructing a new discourse drawing on symbolic meanings that resonate in communities as well as with the broader public. It has to deal with the injustice of poverty, the right to make a living, the discrimination suffered by street traders and waste collectors, and so on (Von Holdt and Webster, 2008:37-8).

However, to make markets work for the poor requires recognising the centrality of power in creating markets and building organisations that gives the poor the economic power to influence the labour market. Trade unions are the best example of an organisation that has successfully influenced the conditions under which workers sell their labour. Their success lies in their ability to identify the source of their bargaining power in the workplace and the market, as well as creating membership-based organisations that are permanent. The challenge for the working poor, as consumers and producers, is to develop new forms of organisation that can extend their power at various points in the value or supply chain.

The implication of our research findings is that this second type of work relationship in the informal economy suggests a different strategy for the Department of Labour. It is clear that conventional trade union strategies of workplace bargaining are very difficult to implement where workers are self-employed proletarians working from home or on the street. Instead of focusing on the bargaining power of the workers in a particular work relationship, it is necessary to shift our focus to their place within a distinct value chain.

To undertake such a paradigm shift we need to draw a distinction between two types of value chains: hierarchical value chains, where producers are captive to the product specifications of buyers, and relational value chains, where producers drive both the product and the chain (Sturgeon, 2001). In introducing a new labour regime in 1994, legislators assumed that the vast majority of employees

were in standard employment relationships and that by amending the pre-1994 legislation the remaining employees would be incorporated into a single labour relations system. This has not happened. Instead, there has been increasing differentiation in the workplace as employers have either by-passed the new labour regime through the use of labour brokers or fail to comply with the regulations.

The policy issue is not one of whether 'greater' or 'lesser' reach of regulations is better, but one of the 'right' reach of regulatory intervention. 'More' or 'less' intervention does not necessarily correlate with 'good' or 'bad'. Too much regulation encourages avoidance, non-compliance and illegality; too little regulation can be a threat to the state's commitment to the promotion of decent work.

Child labour is a good example of the complexity of the debate on state intervention in the labour market. Few people in the industrialised world would consider the ban on child labour as a state intervention that artificially restricts entry into the labour market, whereas many Third World employers regard it as just that. As Philip (2007:30) argues:

In the advanced countries, the right of children not to work is seen as having precedence over the right of producers to employ them. This is so widely accepted that it is not considered a legitimate subject for debate – let alone a form of 'state intervention'. Yet in many developing countries, it is indeed still considered a state intervention that impacts on economic efficiency.

What are the policy implications of our examination of the processes of informalisation in South Africa? It may be useful to begin with the obvious: formality, the extension of regulations, begets informality, the avoidance of regulations. Informality emerges when an economic activity is made illegal, such as the selling of liquor to black people during the apartheid period or when an economic activity is not recognised by the regulatory framework such as informal garbage collectors. Informalisation also emerges to avoid regulations such as when mining companies subcontract their labour to labour brokers.

However, an informal job can be a means of survival if one is desperate. Many of our informants felt that it was better for them to have a bad job than no job at all. It is also clear from our study of clothing workers in the Fashion District of Johannesburg that informal employment can be used by marginal groups, such as immigrants, as a way of entering the labour market through drawing on bonds of ethnic solidarity. This phenomenon, what could be called *an ethnic enclave economy*, consists of the ethnic self-employed and employers, and their co-ethnic employees (Light and Karageorgis, 1994).

Economic activities, because they involve what Adam Smith called ‘anonymous exchange’, need a degree of formality if they are to operate effectively and are to be sustained over time. In a pioneering study of rural enterprises on the margins of Southern Africa, Kate (2007) underlines the importance of a degree of formality in enterprises. She examines the case of a group of illiterate workers who cut stone with hand tools in the mountains of Lesotho, at a site where no formal road exists, without shelter, electricity or running water. To a casual observer they are a typical example of an informal enterprise. Yet in practice it is a successful registered co-operative with a quarrying license, a bank account, and carefully kept books; it is also part of a supply chain exporting to Gauteng and the Seychelles (Philip, 2007: 222-6).

Instead of seeing intermediaries as the scourge of the informal economy, Philip demonstrates persuasively, through the example of the Lesotho stone cutters and the successful commercialisation of the indigenous marula plant as a cosmetic in the Body Shop and as a juice called Marula Magic in Woolworths, that intermediaries are key to ‘bridging the gap’ between enterprises on the margins and wider markets. Intermediaries provide the links in the supply chains that can lead to the successful marketing of local products, and they are able to provide feedback and translate critical market intelligence for producers.

Philip (2007:227-8) emphasises the fact that relationships between producers and intermediaries

... can be dependent and exploitative, but they can also be reciprocal and empowering, liberating producers from the limits of local markets. ... Instead of circumventing them and substituting for them, the priority is to find ways to partner appropriately with market-based intermediaries as a key part of any attempts to bridge the gap.

She concludes by stressing the limits of informality:

Access to external markets invokes all the challenges of anonymous exchange, including challenges of measurement and specification, and contract enforcement. There is a need to create the kinds of institutions that can bridge these gaps... (Philip, 2007:228).

A new regulatory framework

Our research findings have identified the need for a different regulatory framework to overcome the decent work deficit arising from economic and social dualism. We recommend that to bridge this gap the Department of Labour should explore ways of intervening in supply chains to construct a new set of relationships. This can be done in three distinct ways:

1. Regulate labour standards via supply chains by disrupting the flow of goods or services from buyers who do not comply with decent work standards.

The Department of Labour should explore a successful system of regulating labour standards via supply chains. This system, introduced in the garment industry in Los Angeles and New York, involves combining public enforcement of labour standards via private market leverage to impose workplace compliance (Weil and Mallo, 2007).

Currently the system operates through the ability of the US Department of Labor's Wage and Hour Division (WHD) to disrupt the flow of goods from those manufacturers who do not comply with minimum standards in the retail sector.

The innovative component in this system is that the monitoring is done by the manufacturers themselves, who are required to subcontract only to those suppliers who conform to the labour standards. The system has a negative sanction via the Department of Labour, and a positive incentive in that it prevents competitors from outsourcing to sweatshops who pay below minimum wage and work excessive hours. This innovative system to regulate labour standards could be extended to include regulation of global labour standards by including non-governmental agencies such as the US-based Fair Labour Standards to regulate the garment industry globally.

Another way of influencing the supply chain is to incorporate labour clauses regulating working conditions in government procurement contracts. In Chile, for example, a new law requires compliance with labour law to all enterprises that operate as suppliers under government contracts. (Fenwick, Howe and Summerbell, 2006) Global Unions have been campaigning and pressurising for years to attach core labour standards to lending programmes of the International Financial Institutions. South Africa's development financial institutions, such as the Land Bank and the Development Bank of South Africa, could also attach such requirements to their lending policy.

2. Outlaw labour brokers that merely act as employers of subcontracted labour.

We propose the outlawing of labour brokers who merely act as employers of subcontracted labour, except for those labour brokers at the higher end of the labour market who provide a specialised skill such as shaft sinkers. Before amending the law, it is necessary to examine the response of employers to the ban on labour brokers in Namibia. Last year Namibia amended its Labour Act to prohibit all forms of 'labour hire'. Clause 128 states, "No person may, for reward, employ any person with a view to making that person available to a third party to perform work for the third party" (Jauch, 2007).

3. The Department of Labour should facilitate the introduction of labour market intermediaries (LMIs) who do not replace employers through a commercial contract but, instead, recruit among the unemployed, especially the youth, train them and then place them in decent jobs. This involves the creation of labour market institutions that are more active and aggressive in their relations to both sides of the labour market.

In a study of such institutions in the United States, Chris Benner (2002:88) reports,

These ‘customized’ programmes recruit employers to their service, design efforts – recruitment, training and placement – to be responsive to the needs of those employers and also reach out and recruit a labour force to match these job requirements ... they also bargain with firms or deploy power in order to alter firms’ behaviour. These intermediaries see themselves as not only providing a service but also changing the terms of trade in the labour market.

Table 10 Relational structure of labour market intermediaries

Relationship with worker	Relationship with employer	
	Weak	Strong
Weak	Internet job search engines	Temporary agencies such as Kelly
Strong	Professional and membership-based organisations such as Graphic Artists in the US	Union hiring halls

Source: Benner (2002:89)

Table 9 illustrates how such an alternative could be conceptualised. The two-by-two matrix illustrates the relationship of the intermediary to workers and employers. As Benner (2002:90) argues:

The relationship can be considered either strong or weak. On the worker side, a weak relationship might consist of a visit to an employment centre or job-board website, or taking a one-time course on résumé writing. By contrast, a strong relationship would involve a more intensive and longer-term interaction, such as for skills development or access to health benefits and professional networks. The

same logic could be used on the employer side. A weak relationship would consist of simply listing a firm's job openings with a placement agency. A strong relationship would entail repeated use of an agency or a commitment to hire workers from the intermediary.

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Appendix A

Decent Work Index Questionnaire

Introduction: I am a student from the University of the Witwatersrand. I am doing research on the kind of work that you do and what your working conditions are. This interview is voluntary and you can stop me at any point during the interview if you wish to do so. The information that you share with me will be kept confidential and anonymous.

Respondent's name: _____

Date and place: _____

1. *Employment history*

1.1) What is your job? _____

1.2) How long have you been doing this job for? _____

1.3) Where have you worked before and for how long? _____

1.4) When have you been unemployed and looking for a job, and for how long?

2. *Demographics*

2.1) Race (by sight): _____

2.2) Gender (by sight):

Female	<input type="checkbox"/>
Male	<input type="checkbox"/>

2.3) Age: _____

2.4) Education level:

Primary	<input type="checkbox"/>
Secondary (until Std 8)	<input type="checkbox"/>
Secondary (matric)	<input type="checkbox"/>
Tertiary	<input type="checkbox"/>

2.5) Where do you live?: _____

2.6) Where were you born?: _____

2.7) What is your home language? _____

3. *Labour Market Security*

3.1) 3.1.1) How difficult is it to get a job like yours?

Easy	<input type="checkbox"/>
Difficult	<input type="checkbox"/>

LMS 1

3.1.2) Why? _____

4. *Employment Security*

4.1) 4.1.1) Would it be easy to lose your job?

Yes	
No	

ES 1

4.1.2) Why? _____

4.2) 4.2.1) Do you have a contract of employment?

Written	
Verbal	
None	

ES 2

4.2.2) If you do have a contract, what does it say? _____

5. *Job Security (career)*

5.1) 5.1.1) Do you think you have a good future in this job?

Yes	
No	

JS 1

5.1.2) Why? _____

5.2) 5.2.1) Have you increased your income over the last five years?

Yes	
No	

JS 2

5.2.2) How? _____

5.3) 5.3.1) How easy is it for someone else to take over your job?

Easy	
Difficult	

JS 3

5.3.2) Why? _____

6. *Work Security*

6.1) 6.1.1) Do you feel safe at work?

Yes	
No	

WS 1

6.1.2) Why? _____

6.1.2) Are there any regulations that make it safer? _____

6.1.3) 6.1.3.1) Does the work you do have any negative effect on your health?

Yes	
No	

WS 2

6.1.3.2) If yes specify. _____

6.1.4) 6.4.1.1) Are there limits on your working hours?

Yes	
No	

WS 3

6.4.1.2) Specify _____

6.4.1.3) Do you work at night?

Yes	
No	

WS 4

7. Skills Reproduction Security

7.1) 7.1.1) Did you get formal training for this job?

Yes	
No	

SRS 1

7.1.2) Elaborate: _____

7.2) Could you use your skills in this job for another job?

Yes	
No	

SRS 2

7.3) Are there opportunities to increase your skills?

Yes	
No	

SRS 3

8. *Representation Security*

8.1) 8.1.1) Are there any organisations that represent your work interests?

Formal	
Informal	
None	

SRS 4

8.1.2) Elaborate _____

9. *Income Security*

9.1) 9.1.1) Do you earn the same amount of money monthly?

Yes	
No	

IS 1

9.1.2) If not, why? _____

9.2)

Is there a minimum wage for your work?

Yes	
No	

IS 2

9.3) How much money do you make a week for this job? _____

9.4) What hours do you work a week? _____

IS 3

9.4) Do you have any benefits?:

-End of year bonus

-Medical aid

-Funeral benefits

-Pension fund

-Long leave: sick leave, paid leave

-Housing subsidy

-Transport allowance

-Other: _____

IS 4

9.5) 9.5.1) Do you feel relatively well off compared to other people living and working around you?

Yes	
Same	
No	

IS 5

9.5.2) Why? _____

9.6) 9.6.1) How many people are dependent on you? _____

9.6.2) Elaborate _____

IS 6

9.7) How many people living with you, other than yourself, have an income?

9.8) 9.8.1) Is there any way that you increase your household income?

Yes	
No	

IS 7

9.8.2) How? (E.g. Renting out rooms, growing vegetables, taking on other jobs)

9.8.3) How much money do you earn from this extra income? _____

9.9) Which social grants do you or the people living with you receive? _____

10.

Improving work conditions

10.1) Which of your work conditions could improve and how? _____

10.3) Has there ever been an inspector from the Department of Labour coming to your workplace to check on your working conditions?

Yes	
No	