

African Trade Union Perceptions in
the context of global financial &
economic crisis: in continued search
of new development model ?

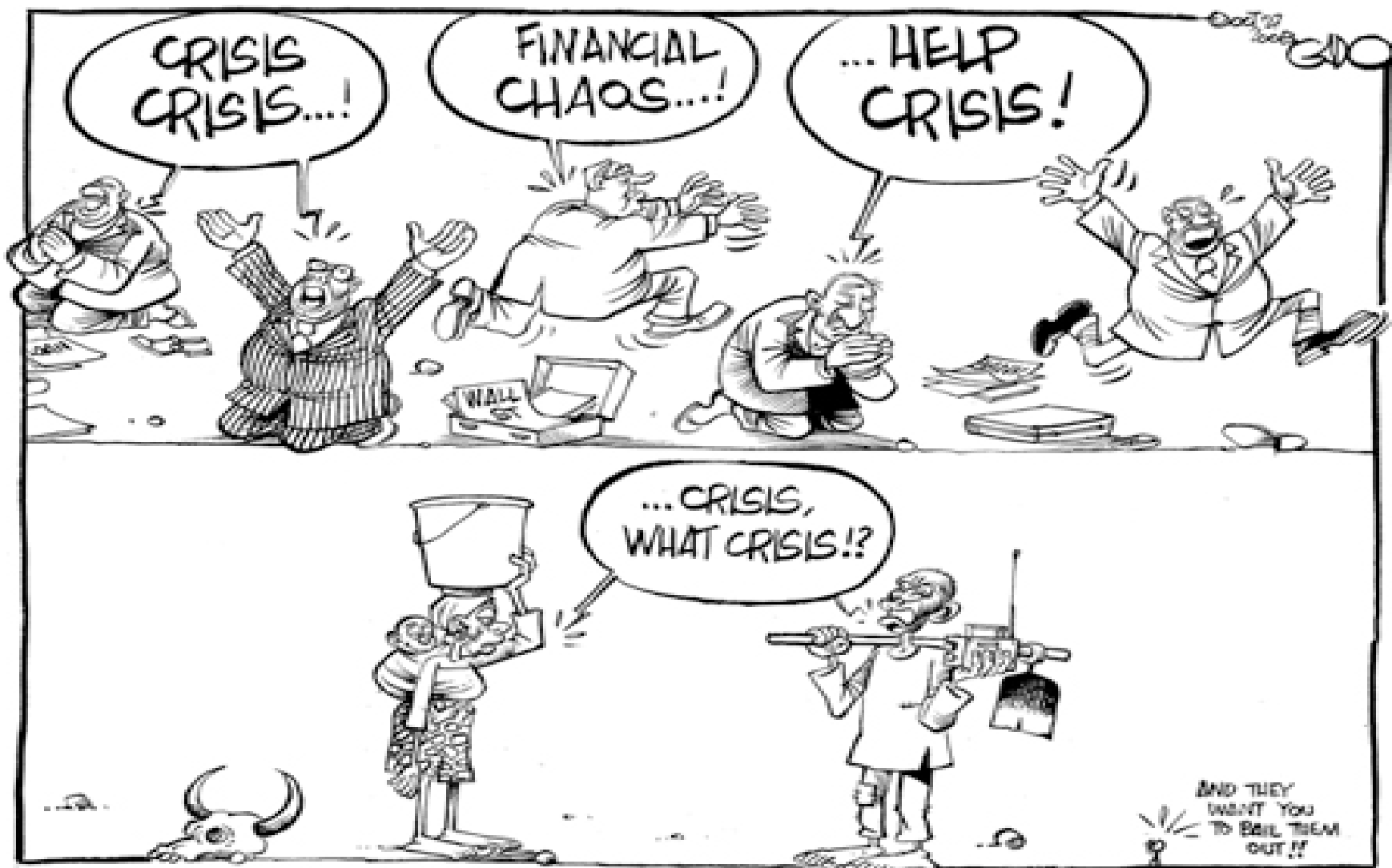
By

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African Trade Union Taskforce...objectives

- Development of framework of Africa not only in the context of the on-going global economic crisis given that we have a legacy persistent and recurring crisis manifested in widespread poverty
- Critically analyse Africa's development crisis and how that crisis has been eased or exacerbated by more than three decades of economic and social structural adjustment



Guiding Questions on this...

- **What is/are the main problem(s) with the current neo-liberal economic policies and management?**
- **What are the policy related challenges and evidence?**
- **What are the building blocks/set of policies for the new/alternative development model ?**
- **How should Africa finance its development model(s)**
- **What should be the trade offs?**
- **How should we get our views reflected in policies at the national, regional and international levels?**

Why continued search....

- They are **top down**; they are made in Washington or the West (and only transplanted to other countries as a **one-size fits all prescription**)
- Neo-liberalism does not give regard to **social imperatives and objectives** - social issues (including employment) are regarded as a residual of economic growth.
- They end at the **stage of stabilization** only
- They result in **de-industrialization**

Why continued search....

- They take away **policy space** of government/undermine the role of the state and undermine allied developmental institutions
- They focus on **economic aggregates** (and not human development)
- They are **gender-blind** (and thus have deepened gender inequality)
- They entrench **dependency**

Why continued search....

- They entrench '**informalisation**'
- They '**commodify**' basic social services
- They destroy **national planning**
- They focus on '**exportables**' and thus entrench food insecurity
- They undermine **decent work**

Why continued search....

- They entrench **enclavity** and **duality**
- They reinforce dependency on **primary goods**
- They lead to widespread **poverty and inequality**
- They lead to **environmental degradation**
- They erode **cultural values**

What are the policy related challenges and evidence?

– **Monetary Policy and Central Bank**

- Central bank's mandate narrow and restrictive: ideological preoccupation with monetary aggregates -too much emphasis on price stability. Price stability is often seen as an end in itself and not a means

– **Restrictive fiscal policy space**

- Regressive tax regimes [e.g. corporates benefit from tax holidays while workers, consumer and SMEs heavily taxed.
- Dependency on external finance [e.g. PRSP implementing countries rely on external budget support by IFIs]
- Narrow sources of internal revenues/ narrow tax base [e.g. taxation focused on formal employment
- Tax policies are pro-cyclical instead of being countercyclical.

What are the policy related challenges and evidence?

– **Wage Policy /Labour Market Policies**

- Labour policies designed to weaken social dialogue and thus collective bargaining
- Designed to lead to flexible labour markets leading to new atypical forms of work
- There is a wage cap in many developing countries e.g. in public service wages cannot exceed 5% of GDP

– **The state and the market-institutional arrangement**

- The “state” of the state: not accountable to people but to global capital
- State minimalism

What are the policy related challenges and evidence?

- **Investment rules/policies**

- Market fundamentalism
- Reinforce market segmentation
- Suppress indigenous initiatives
- Investor - bias development agreements [evidence: development agreements with new mine owners in Zambia]
- Reliance and dependency on FDI

FDI Incentives

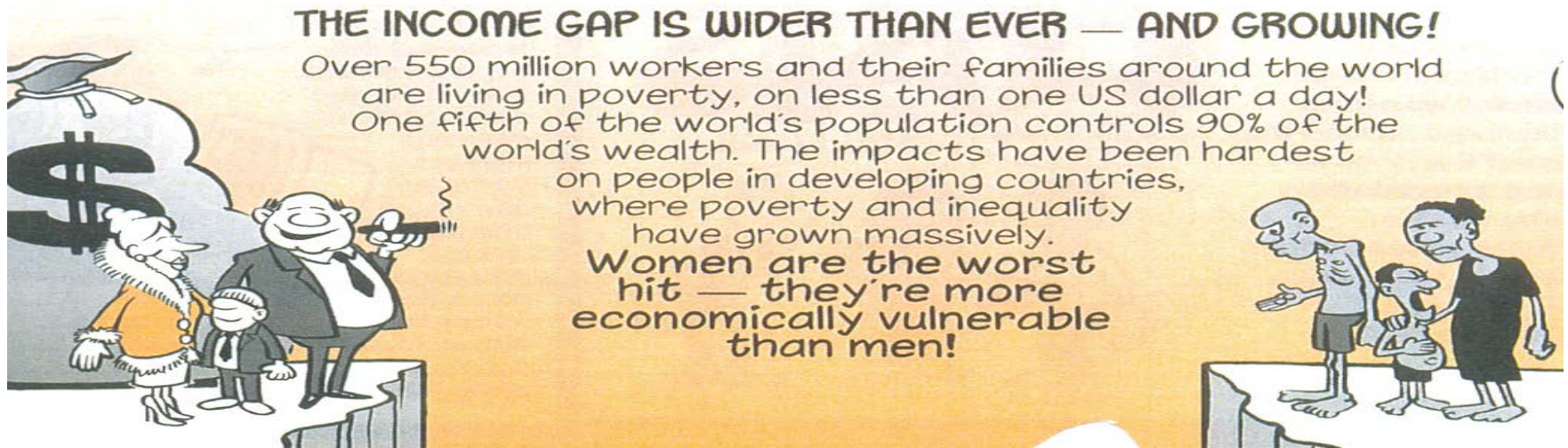
Incentive	Ghana	Mozambique	Swazi	Zambia	Zimbabwe
Corporate Tax holiday					✓
Duty free importation of capital equipment and machinery for EPZ operations	✓	✓		✓	✓
Duty free importation of all raw materials and intermediate goods required in the production process and in construction	✓			✓	✓
Exemption from withholding tax on dividends					✓
Remitting of 100% dividends after tax	✓			✓	✓
100% repatriation of original invested capital					✓
Exemption from branch profit tax for a branch of a foreign registered company operating in EPZ's				✓	✓
Sales taxes/VAT refund on goods of services purchased		✓		✓	✓
Exemption from withholding taxes on interest-earned, fees, remittances and royalties					✓
Exemption from capital gains tax					✓
Subsidized fully equipped factory shells			✓		
Immigration Quota for Expatriate Staff	✓			✓	✓
Reduction on Real Property Tax		✓			
Guarantees on property	✓	✓	✓	✓	✓

What are the policy related challenges and evidence?

– Trade Policy (regional integration and WTO)

- Too much emphasis on export-led development at the expense of the need to achieve self-sufficiency.
- An extrovert trade aimed at satisfying foreign needs, which only demand raw materials with low added-value
- Weak sub-regional and or regional integration
- The implementation of the EPAs leading to losses of incomes, dis-industrialisation, regional disintegration and other negative consequences for the region.

Trade and Working Life



- Trade remains an issue for trade union in Africa through its impact on employment, wages, and quality of employment, working hours and working conditions.
- Average minimum wages for casual workers are US\$ 88 per month in Tanzania, US\$ 128 per month in Swaziland, US\$ 70 per month in Ghana, US\$ 40 in Kenya and US\$ 71 in Zambia amounts often below national minimums creating a growing population of the working poor.
- The loss of jobs and erosion of job security that has left thousands of former workers jobless and in most cases without alternative decent livelihoods remains a nightmare for trade unions.

What are the policy related challenges and evidence?

– **Environmental Issues/Climate Crisis**

- Environmental degradation
- Weak environmental rules and regulations
- Absence of climatic justice
- Survivalist patterns among the poor since they may be tempted to accept to work in any plant or industry without considering the long term effects of the chemicals to the environment

– **IFIs**

- Not democratic, dominated by western interests
- Promoter and custodian of neo-liberalism

Building Blocks/Set of Policies for the New Development Model

- Designing and implementing a holistic/integrated policy framework
- Adopt the Alternative to Neo-liberal in Southern **Africa (ANSA) to Framework and transformed to Alternatives to Neo-liberalism in Africa (ANA)** by reviewing situational analysis and broaden it to cover the whole continent (www.satucc.org)
- ANSA framework encourage human centred anchored on a bottom-up, auto-centric, developmental and proactive state, incremental, strategic delinking, regional integration.

The Principles of ANSA: Conceptual Analysis

- There are various forces that shape our societies and can bring about the fundamental changes that are needed to improve the lives of working people.
- The major players are firstly, **the people themselves** and their organisations at grassroots level: key agents of change and must drive the process.
- Secondly, there is the **state**, which is a very important site of struggle. States rule in the interest of those who control it and thus working people have to regain control over the state, not only at national level but also within the SADC region and Africa as a whole.
- Thirdly, there are the **global actors** including the World Bank, IMF, the World Trade Organisation (WTO), G8 and Transnational Corporations (TNCs) who have a strong influence over African states and whose interests are opposed to those of working people. These global actors can be described as “the Empire”.

How do we finance Africa's development?

- **Overseas development assistance** (*need for aid with exit strategy from aid dependency*)
- **Domestic revenue mobilisation** (*improved tax administration and tax policy reform*)
- **Deficit financing**
 - *Thru domestic and foreign borrowing*
 - *However, must be accompanied by debt management strategies to ensure borrowing is for productive investment rather than consumption*
- **Reprioritization and efficiency of expenditure**
- Thru expenditure switching and efficiency gains reforms

What are the trade-offs?

- To develop a multi-actor social dialogue
- To negotiate a social and economic pact on the basis of common values accepted by all
- Need to balance between macroeconomic stability and social/development objectives
- Need to balance between regional and national interests
- Need to balance between short-term and long term environmental impact of development

Getting our views policies at the national, regional and international levels....

- Need to continuously and consciously build the capacities of TUs.
- To work out a plan for advocacy and dialogue with the appropriate institutions
- To form strategic alliances with other actors of civil society
- Establish strategic and issue based political alliances
- Leverage existing policy space through sub-regional TUs such as SATUCC and ETUC.
- Continental and International (existing AU, ITUC structures and incorporate ideas and inputs into Global Unions)
- Ensure enforced monitoring & evaluation of all dev. policies

Thank you...

- Remember the balance of Power at play...and how to place your mutual interest...
- “ The cord of mercy and gratitude is threadbare, and will break at the first shock. Do not throw such a life-line. The cord of mutual self-interest is woven of many fibers and cannot easily be severed. It will serve you well for years...”*