

**Outsourcing labour conflict:
Workers and public-private development
strategy in South Africa**

Ben Scully
University of the Witwatersrand
HWR, Berlin, October 2024

Background

- **Overall project**

- “Decarbonization, Digitalization, and Development in South Africa: State, capital and labour strategies in steel, energy and logistics”
 - W/ Bridget Kenny (Wits), Sam Ashman (UJ), Itumeleng Mokoena (UJ)
 - Funded by FutureWORKS, IDRC, Canada
- Examining the political economy of the financialized development strategy in South Africa
- Relevant to questions of social blocs and how they shape and are shaped by technological and economic transformation

The “Wall Street Consensus” Development Strategy

- **Development strategy based on courting private finance by using the state to “de-risk” investment (Gabor 2021)**
- **The debate- who is driving this strategy**
 - Over-accumulated finance capital looking for new outlets?
 - Bernards: “Where is the finance in financialization of development?”
 - “The turn to private finance is often, or even largely, about states and multilateral institutions with restricted means trying to coax finance capital into circulating in ways the latter is reluctant to do” (2023:9).

WSC Development Strategy in South Africa

- **South Africa's emergent development strategy**
 - Infrastructure fund and Infrastructure South Africa
 - Legal reforms to encourage the use of Public-Private partnerships
 - Focus on infrastructure (ports, rails, roads, water, and electricity) and green energy
- **Our overall project uses the SA case (and specific projects) to examine the balance of power among various actors.**
 - My focus here is on one actor who is largely absent in the WSC debate: workers

Workers and the WSC Development Strategy

- **Workers (largely) on the sidelines, but are being affected**
- **WSC is pitched as a growth and job creation initiative**
 - Highlighting the development of new sectors, such as green hydrogen
- **But most projects are in existing sectors with already high employment, especially energy and transport/logistics**
 - Workers are affected through creeping privatization
 - Where private companies enter alongside state owned enterprises, e.g. private power producers
 - And direct privatization
 - Where existing public infrastructure is sold or leased to private companies, e.g. the Rail Corridor

The “Argument”

- **Organized labour is an actor who could challenge and shape financialized development strategies**
 - But it is in an extremely weakened position
 - And could be further marginalized by the strategy

Johannesburg to Durban Rail Corridor

Transnet seeks private sector investment in Container Corridor

Request for Qualifications aims to identify potential operators for Durban - Johannesburg rail freight.



Transnet is issuing a Request for Qualifications (RFQ) to identify potential investors and operators in its Durban - Johannesburg Container Corridor and its associated terminals and depots.

Photo Credit: Transnet

Johannesburg to Durban Rail Corridor

- “For the container corridor between Johannesburg and Durban, Transnet seeks a private partner for a 20-year lease period to assume responsibility for the salaries of 3,573 Transnet Freight Rail staff and stump up R5.5bn to invest in the asset, which will continue to be owned by the state” *Business Day* 24 August 2024.
- Tender ultimately failed to attract bids and was withdrawn to be “reworked”
- Why would government include the transfer of salaries/employment?

The Political Economy of State-Owned Enterprises

- **Transnet is the SOE that operates rail and ports**
- **Transnet, and other SOEs were heavily implicated in the corruption scandals of the Zuma Presidency**

The Political Economy of State-Owned Enterprises

Ramaphosa gives SIU license to investigate Transnet corruption



By [Lindsey Schutters](#)

16 Sep 2024



President Cyril Ramaphosa on [Friday authorised a Special Investigating Unit \(SIU\) probe](#) into allegations of maladministration and corruption within Transnet. The state-owned entity is now under investigation for various alleged irregularities that may have led to significant financial losses for the state.



President Cyril Ramaphosa returned from a visit to China and busied himself with the fight against corruption.

Eskom, SAA & Transnet lost billions to corruption, bribery in past 5 years - Gordhan

Gordhan was responding to a written question in Parliament about Eskom, South African Airways (SAA) and Transnet, and how much corruption has cost the entities.

[Pravin Gordhan](#) [South African Airways \(SAA\)](#) [Transnet](#)

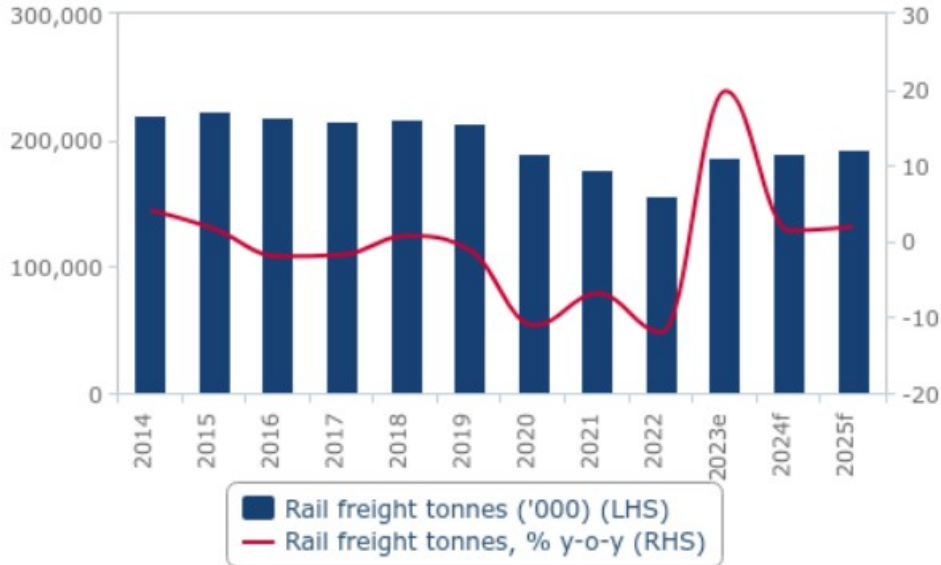


FILE: Public Enterprises Minister Pravin Gordhan. Picture: Abigail Javier/Eyewitness News

Rail Crisis has had a major economic impact

Rail Transport Woes Crippling Economic Growth

South Africa - Rail Freight Tonnage (2014-2025)



Source: Fitch Solutions

Kumba Iron Ore to cut 490 jobs as rail crisis hits output, shares fall

By Nelson Banya

February 20, 2024 11:28 AM GMT+2 · Updated 8 months ago

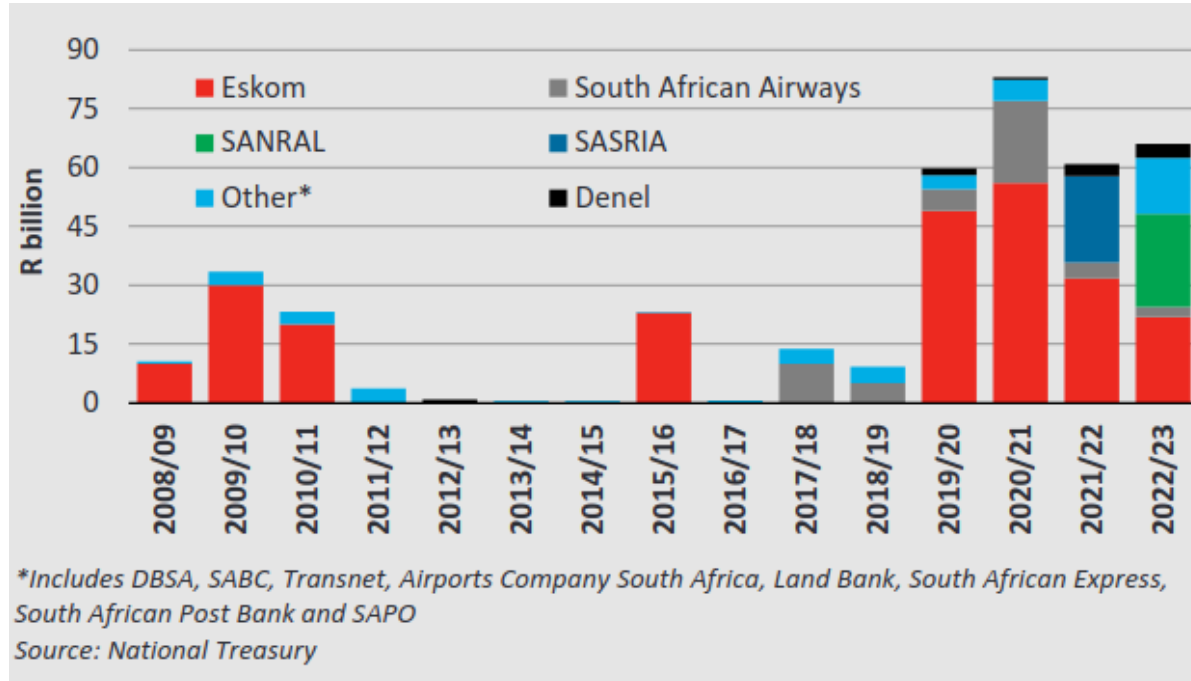


Summary Companies

- Restructuring to impact 10% of Kumba's workforce
- Africa's top iron ore miner hobbled by rail challenges
- Kumba's annual profit up 26% on higher prices, weaker rand

Feb 20 (Reuters) - Kumba Iron Ore (KIOJ.J) shares fell more than 5% on Tuesday after it announced plans to cut about 490 jobs, following a reduction in production as it struggles to overcome South Africa's

SOE debt and bailouts has also affected the fiscus



Labour unrest in transport/logistics

SOUTH AFRICA

Transnet strike causes dire situation for industries across the board

Industrial action leaves goods stuck in vessels at port

12 October 2022 - 14:32



Penwell Dlamini
REPORTER



Transnet workers protest as a labour strike continues in Durban
Image: Rogan Ward

NATIONAL

Satawu plans nationwide protest over Durban container terminal deal

Union says joint venture with Philippine firm amounts to privatisation and calls for government loan to finance upgrade

24 OCTOBER 2023 - 15:07

by KHANYISILE NGCOBO

Labour and the SOE Crisis

- **These sectors remain highly unionized**
- **Unions have been a voice critiquing corruption and mismanagement**
- **But they are equally hostile towards WSC-style privatization**
- **But public sentiment in favour of privatization has never been higher**

Labour and the SOE Crisis

- **These sectors remain highly unionized**
- **Unions have been a voice critiquing corruption and mismanagement**
- **But they are equally hostile towards WSC-style privatization**
- **But their prospects are extremely limited**
 - Public sentiment in favour of privatization has never been higher
 - Unions have limited history of engaging development strategy

Who is driving financialized development in SA?

- **More complex than “finance capital” vs “state led development”**
- **Infrastructure privatization is intertwined with political struggles within the state and the ANC**
- **Privatization is an attempt to undermine corrupt officials and organized labour**
 - Labour is being characterized as a barrier to development