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The Transformation of the Construction Sector in South Africa since apartheid: Social inequality and labour[1]

By Eddie Cottle

Over the past 20 years South Africa's construction sector has undergone marked expansion. In the apartheid era it was constrained by sanctions and racial policies. However, the post-apartheid state actively encouraged a series of policy measures to foster the economic growth of South African construction firms. Key to the policy process was the establishment of a Construction Industry Development Board, a Register of Contractors, the scheduling of public sector spending through the Medium Term Expenditure Framework process, and support programmes to develop the emerging black contractors. The post-apartheid state also became the construction sector's biggest single client in the delivery of social and economic infrastructure.

The almost immediate shift from the social democratic Reconstruction and Development Programme (RDP) in 1994 to a series of neo-liberal macro-economic policies, from 1996 onwards, ensured increasing levels of labour flexibility and improved productivity of the labour force. State intervention was therefore crucial in ensuring that the construction sector enjoyed 18 years of sustained economic growth with an average GDP contribution of 2.3 per cent over a 20 year period.

The tendency of increased concentration of capital within the construction industry monopolies in South Africa which was in decline in the late 1970s was effectively being reversed with the ruling African National Congress taking power in 1994. The gross operating profit for the construction sector in 1993 was R6.9 billion and R35.1 billion in 2012, totaling a 412 per cent increase in real terms over 19 years. The five large Johannesburg Stock Exchange (JSE)-listed heavy construction companies, aggregate real pre-tax profits in 1997 were R382 million and more than double (R 961 million) in 2012, a massive increase of 151 per cent compared to the two years (this over a 15 year period). The recovery from the crisis of profitability is due to rapid capital accumulation; despite what has been called the worst global recession since the Great Depression of the 1930s.

Centralisation of capital under apartheid saw about 5 per cent of construction companies accounting for 63 per cent of turnover in the industry and by 2011, about 1.2 per cent of these companies accounted for 64 per cent of turnover. This increased power of construction cartels allowed for the massive corruption through the collusive practice of bid rigging and excessive overpricing. Construction companies extracted or attained huge financial gains for themselves at the expense of workers and the tax payers. Through black economic empowerment, the ANC government set a target of 25 per cent black-ownership by 2013 to transform the class and race composition of the large construction companies – such attempts have failed dismally. The latest figures show that only around 10 per cent has been achieved. Additionally, in 2013, approximately 80 per cent of public sector tenders were awarded to large contractors in grades 7 to 9, which implies that white capital within the sector, is still the main beneficiary, including of the new government's tender system. Therefore since apartheid, the trend can be viewed as one of an increasing concentration and centralisation of capital amongst the established apartheid-era construction companies.

The recovery from the crisis of profitability is not only due to the neo-liberal policies of the post-apartheid government but mainly due to the weakening power of the working class. This was manifested not only in the state repression under apartheid, but also capital's response to the economic crisis and the transformation of the productive forces, which involved changes in the development of machinery, the labour process and the education of the workforce. The compromise deal between capital and labour (mainly led by the Congress of the South African Trade Unions (COSATU)) was one in which labour intensive production would be linked to productivity. Despite the "Framework Agreement" between labour and capital (which later became endorsed by government) for a programme of labour intensive construction, the country witnessed a rising capital intensity in the construction sector which increased unabated from 100 in 1994 to 150 by 1999. This further increased to 26 per cent from 2009 to 2012.

Coupled with rising capital intensity within the sector, the crisis of the 1970s also dramatically altered the labour process through changes in how production was carried out in order to reduce operating costs and thereby enhance competitiveness. The construction sector rapidly changed the labour process from increased casualisation to one of externalisation of workers through subcontractors and labour-brokers. The general trend has been for construction companies to downsize their workforces to fewer core site employees. Subcontracting arrangements became increasingly prevalent with up to

70 per cent of building and 30 per cent of civil engineering projects subcontracted out. The majority of employers in the industry also relied on sourcing skilled people which did not restrict the growth of the companies. The estimated composition of an onsite construction workforce is normally 50 per cent unskilled, 26 per cent semi-skilled, 19 per cent skilled and 5 per cent supervisory. In other words, there is no real interest in the skilling of the vast majority of unskilled and semi-skilled workers who make up 76 per cent of the general construction production process. Furthermore, the norm of the three month Limited Duration Contract (LDC) employment contract in the sector is a clear indicator that most workers find themselves in "partial" employment.

This is a reserve army of labour, a disposable workforce that can be called upon when capital expands - and disposed of immediately afterwards. The clear example is that by the time the 2010 FIFA World Cup kicked off in South Africa, 110 000 construction jobs were lost after building stadia and other required structures. Signing up and retaining union members under these circumstances are challenging. Construction employment was at its lowest at 438 665 in 1994 but climbed to an all-time high of 1 204 000 in 2013. This is a 174% increase in formal and 'informal' construction employment since 1994. Thus, despite the growth in capital intensity within the sector; the dramatic expansion of production required an increasing pool of the reserve army of labour in productive employment.

Also, somewhat ironically, the Framework Agreement on labour intensive construction contributed to the marginalisation of the trade unions. In terms of the RDP, parastatals and the public sector encouraged contracts to small and new black businesses where most of the workers were in vulnerable employ. Then there is government's Expanded Public Works Programme (EPWP) which pays less than half of what the civil engineering sector pays workers doing similar work.

Furthermore, the changes brought about in transforming the productive forces were the key factors in increasing labour productivity, in order to restore and increase the level of profitability in the construction sector in post-apartheid South Africa. Over the twenty year period from 1994-2013, the total productivity of construction workers increased by 123 per cent with an average productivity increase of 6.1 per cent per annum. The increases in productivity were not only due to the introduction of machinery but also due to increasing the intensity of labour in the production process. By 2005, the mean hours worked in the construction sector had increased to 49 hours per week or 16 hours overtime per month.

However, labour has not been compensated for increases in productivity. According to the Labour Market Survey (2012) real earnings for the average worker across industries remained almost unchanged since 1995 having consistently remained below R2, 000 a month since 1995. Using Statistics South Africa data, our calculations show that the combined incomes of formal and 'informal' construction workers average wages fell in real terms by -2 per cent annually over twenty years. Labour Research Service wage data indicates that the real average minimum wage of formal employed construction worker in 2012 was R2,535 per month, not far off the median monthly wage of R2,000. This implies that the income of the construction workforce has not changed substantially and the construction sector has maintained the cheap labour system entrenched since apartheid.

Income inequality is increasing at alarming levels. In 2004 it took the lowest paid worker within the construction sector 167 years to earn the average annual income of a CEO, and at 2013 this has increased to 287 years, an increase of 71% per cent. One of the clearest expressions of the decline in the power of the trade union and workers struggles is the fact that the wage share has declined from a high of 72 per cent in 1993 to 46 per cent in 2013.

After having successfully utilising the Building and Wood Workers International 2010 FIFA World Cup campaign, the construction trade unions increased union density by 39.4 per cent. Today the membership of the National Union of Mine Workers and the Building Construction and Allied Workers Union membership declined not far off from the level reached during the mid-1980s and 1990s.

South Africa's construction trade unions will have to review their approach to worker militancy and the class struggle. A decisive shift and commitment to social movement unionism is necessary, as are changes to the organisational form of the unions to adequately represent a fragmented and localised construction workforce.

As in the past, the strategic strength of the construction trade unions lies in linking up with the militancy and spontaneous struggle of workers and harnessing the discontent of working class communities. In so doing, new alliances will be formed and new forms of solidarity will become possible to struggle against the scourge of rampant and growing inequality in South Africa.

[1] This paper is based on extracts from Cottle's Master's Thesis, "The Transformation of the Construction Sector in South Africa since apartheid: Social inequality and labour" completed at the Institute for Economics at the State University of Campinas, Brazil

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