The implications of restructuring and privatisation of State-Owned Enterprises (SOEs) on employees in South Africa with specific reference to Spoornet

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DECLARATION

I, Nyawo Gumede hereby declare that this thesis is my own original work, has not been submitted for any degree or examination for any degree or examination at any other university, and that the sources I have used have been fully acknowledged by complete references. This thesis is submitted in fulfilment of a PhD Social Science: Public Management and Governance.

Signature Date

DEDICATION

I dedicate this study to our late King, Inkosi Goodwill Zwelithini ka Bhekuzulu, for reviving most of our cultural traditions and for uniting the Zulu Kingdom, and the Nyawo and Gumede Chieftainships in Northern KwaZulu, in Ingwavuma. I also dedicate my thesis to my late grandmother who taught me a prayer that I recite every day since I was 4 years, which reads, “God in heaven please give me wisdom”. I could not have completed this study without support from my family, namely: Kholeka, Nosiviwe, Nwabisa, Nandipha, Sonwabile, Bonginkosi, Mathapelo, Lumka, Zandile, Mlangeni, Smangaliso, Sbusiso, Busisiwe Annastacia, Ephraim, Sekoto, Pontsho, Kgotso, Mfundi, Bulelani, Simphiwe and Sbongiseni. I dedicate this thesis to the children and grandchildren of the late younger brother of my father Mr BB from Ingwavuma, KwaZulu. These include Sbusiso, Themba, Zandile, Zanele and their children. This study is also dedicated to all MK cadres, their commanders and families who sacrificed their lives for our freedom and supported the struggle locally and abroad, to Mr William, his wife Martha and their daughter Christina including her late five siblings for encouraging me and lastly, to the mother of De Villiers, who bought my first maroon blazer for school and pledged to pay with the first primary school teacher salary which was yet to come to fruition because you believed I had it in me: this study is for you.

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ABSTRACT

Contemporary restructuring and privatization understanding, in both public policy and academic theoretical circles, espouses that these reforms are significant in ameliorating efficiency, effectiveness, greater competitiveness, profitability, financial sustainability and productivity of State-Owned Enterprises (SOE)s in South Africa: knowledge of this, can better foster policy reforms that are less pernicious to employees and their trade union formations. This thesis is based on research conducted at Spoornet in South Africa. It looks at the implications of restructuring and privatization of SOEs on employees in South Africa. It also focuses on the rational of restructuring and privatization of SOEs and the trade union response to restructuring and privatization of SOEs in South Africa, with specific references to Spoornet. Although literature has been written about privatization and restructuring of SOEs, little is known about its implication on employees of public railways and the specific response of railway-specific trade unions and their alternative constructive policy proposals for railway SOEs. This study utilized document analysis in the acquisition of information. The findings of this research, with regards to the rational for restructuring and privatization of SOEs in South Africa, shows that the South African government implemented restructuring and privatization reforms in their SOEs in a bid to ameliorate operational efficiency, effectiveness, competitiveness, profitability, financial sustainability, and enterprise productivity. The findings show that trade unions (COSATU and SATAWU, the main trade unions in that sector) resisted the restructuring and privatization of Spoornet and proposed an alternative policy

proposal. The 'reconstruction of Spoornet' policy document which trade unions produced as an alternative proposal, depicted the effective role of labor stakeholders in decision-making on privatization and restructuring of Spoornet and the sterling trade union resistance to neoliberal privatization and restructuring policies in SOEs in South Africa.

Key Words: State-Owned Enterprises, Restructuring, privatisation and Downsizing Reforms, Trade Union Response, Cosatu, Satawu, Efficiency Measures

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ACRONYMS

AHI	Afrikaans Handelsinstiuut
ANC	African National Congress
COSATU	Congress of South African Trade Unions
GEAR	Growth Employment and Redistribution
GNU	Government of National Unity
ILO	International Labour Organisation
IMF	International Monetary Fund
NALEDI	National Labour and Economic Development Institute
NEDLAC	National Economic, Development and Labour Council
NFA	National Framework Agreement
OECD	Organisation for Economic Cooperation and Development
PRC	Presidential Review Commission
RPI	Restructuring and Privatisation Initiatives
RDP	Redistribution Development Program
SA	South Africa
SASOE	South African Stat -Owned Enterprise
SACP	South African Communist Party
SARPR	South African Restructuring and Privatisation Reforms
SOE	State-Owned Enterprise
WB	World Bank

CHAPTER 1: INTRODUCTION AND BACKGROUND OF STUDY

1.1 Introduction

This chapter provides a general overview of the study. It starts by outlining background information on privatisation and restructuring of SOEs. Following this background information, the chapter presents a problem statement of the privatisation and restructuring of SOEs in South Africa. The chapter furthermore presents research questions, study aims, objectives, brief methodology, delimitation of the study, rational for the study and finally the scope of the study.

1.2 Background

1.2.1 Restructuring of state-owned enterprises: International views

The restructuring of SOEs has become a global phenomenon in recent years. Most developed countries and developing countries have implemented policies on restructuring of SOEs periodically. Most studies and literature have focused on SOEs broadly in the widest sense but the paucity of information on specific sectors such as rail industry has been noticed hence the need to have specific sectors research on SOEs in the rail sector. However, most studies do not concentrate on implications to employees or workforce but focus on financial implications because they focus on effectiveness of governmental financial support of SOEs on a much broader pendulum.

Studies on specific sectors are essential to aid decision-makers in SOEs and governments to propel effective policies for their SOEs. Governments, internationally, have realised that SOEs are of key strategic importance to their economies and therefore require to be reformed to enhance efficiency, effectiveness, productivity, profitability, and their global competitiveness. An SOE is a state company (100% state owned shares) and state holding enterprises (state-owned shares is not less than 50%) (Lin & Lu, 2014:490). SOEs are state-owned and state holding enterprises are state-funded whose majority shares belong to the government (Lin & Lu, 2014:490). These state entities differ from private companies because private companies are private holding companies in which the enterprises have more than 50% of private shares (Lin & Lu, 2014:490). SOEs are traceable to the western democracies (Lin & Lu, 2014). These state companies contributed 100% to the GDP on average in 1980s, with 14% in Germany, 16% in United Kingdom, 20% in Italy, and 23% in France (Lin & Lu, 2014). The rise of free-market economies and lack of profitability in SOEs led western countries to implement SOEs restructuring programmes. In Emerging European economies (EE), SOEs play a key role in the transport and energy clusters of the economy (IMF, 2017). The EE countries include Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and Slovenia (IMF, 2017). In these economies, SOEs restructuring programmes have been implemented to enable them to be financially effective and to reduce the SOEs' continuous reliance on financial rescue plans from their governments. In several European countries, SOEs contribute significantly towards employment and economic output. Slovenia, Poland, and Sweden exhibit the largest SOE economic output shares while large shares of SOE employment are found in Sweden, Bulgaria, and Slovenia (IMF,

2017:7). In South-Eastern Europe (SEE), SOEs, have incurred operational losses just like many SOEs in the African continent and Asia. The Bulgarian electricity supply SOE (National Electricity Company) has endured huge losses and incurred structural tariff deficit in its performance (IMF, 2017:9). Most states implement SOEs restructuring programmes to reduce SOEs financial dependency on national treasury. To cut labour costs, most SOEs implement restructuring through employee-downsizing either once-off or gradually.

In China, the construction sector is dominated by SOEs. The construction industry is key to the growth of the Chinese economy, accounting for 6% of its GDP since 2008 (Lin & Lu, 2014:489). Large-scale restructuring has been implemented in Chinese SOEs in the energy and transport sectors (Lin & Lu, 2014:489). The purpose of restructuring SOEs in China is to pursue a sustainable development trajectory of the economy (Lin & Lu, 2014:489). The poor operational performance and financial dependency of SOEs on national finances, forced Western countries to embark on the implementation of restructuring policies across a broader spectrum of their diverse economic sectors which operated under SOEs. The dependency of SOEs on national treasury was a fundamental impediment towards socio-economic development to Western countries (Lin & Lu, 2014). In the wake of lack of SOEs productivity and lack of economic development, Western countries adopted a radical restructuring approach which transferred public ownership to private ownership to enable them to participate effectively in socio-economic development. The Chinese government has persuaded a unique restructuring approach which is meant to create a stable political regime and to sustain a socialist/communist country.

Some scholars have argued that “the restructuring of State-Owned Enterprises in China is gradual: the reform of the economic system is under the premise of maintaining a stable political system, which is a unique restructuring way for a socialist country”, (Lin & Lu, 2014). China is one of the major countries which uses SOEs restructuring for political, social, and economic objectives. Globally most countries restructure their SOEs specifically for commercial and economic reasons. It must be noted that some scholars use the word privatisation to refer to restructuring and others use the word restructuring to mean privatisation. What is important, however, is that no matter which of the two terms is used, the ownership structure, the management and employee structure changes when restructuring has been implemented. When the performance of SOEs is low and continuously depending on their governments for financial bailouts, they cease to contribute to sustainable socio-economic development, which is one of the key reasons, they were in fact created. One of the main objectives of governments is to implement sustainable development through proceeds from SOEs and that cannot be attained when operating losses are incurred. Thus, the need to reform them through a process of restructuring either on a wholesale basis or partially. Governments across the world are compelled to engender sustainable development through SOEs which endeavour to satisfy the needs of the present citizens without jeopardizing the future development needs of the future generations (Lin & Lu, 2014). Sustainable development has three basic components which include: environmental integrity, social equity, and economic prosperity. In most countries the condition of SOEs is of critical importance because, when they function efficiently and effectively, they generate great wealth for the country and play a pivotal role in the effective allocation of resources and their utilization (Pratap, 2011). According to Pratap (2011), reforming SOEs through restructuring enables them to

function at their optimal best. The scholar argues that SOE reforms in India have led to some significant improvement in real output of firms and the government acquired fiscal boost through privatisation receipts (Pratap, 2011). SOEs which undergo restructuring reforms successfully, in the end, operate efficiently, making them positive contributors to social welfare through the provision of increased economic opportunities, higher profits and taxes (Boardman & Vining, 2012). Thus, the trend internationally, is towards reforming SOEs through restructuring, so that they can make a positive contribution to economies of countries rather than serve as a financial burden to treasuries of these restructuring reform implementing countries (RRIC).

Ghana also initiated an SOE restructuring reform programme, (Odainkey & Simpson, 2012). The SOE restructuring reform in Ghana led to many organisational restructuring initiatives such as the reshuffling of management and the signing of performance contacts by staff in SOEs (Odainkey & Simpson, 2012). In China, the gradual restructuring programmes were also specific and targeted. Restructuring reforms in China's SOEs also focused on human resources systems (Chi & Meng, 2013). In some countries restructuring of SOEs was and is part of a nation-wide planning policy, where, specific targeted reforms are implemented to SOEs, to achieve specific targeted results. In Thailand, for the state enterprises policy office (SEPO), SOE reforms involve restructuring the operations of some SOEs and privatising others (Pratuckchai & Patanapongse, 2012). In Thailand the SEPO was also concerned with the globalism of their restructuring criteria and thus they upgraded their standards to satisfy the international standards (Pratuckchai & Patanapongse, 2012).

In Vietnam restructuring of SOEs was contained in the 1980 economic reform package which was a market-driven economic policy (Pham, 2011). The Vietnamese government decided to implement focused SOE restructuring reforms modelled from a management perspective and the management model focused on reforming human resources planning, pay-for-performance, training, and recruitment improvements (Pham, 2011). Most SOEs pay special attention to the human resources sector when they embark on restructuring as a means towards reformation (Pham, 2011).

According to the World Bank (WB) governments view public enterprises as useful weapons to deal with their socio-economic goals like job creation, international market expansion and economic growth (World Bank, 2014). Thus, governments cannot permit their SOEs to be feeble and operationally unproductive, they therefore restructure them to make them profitable again to boost their treasuries. Public enterprises contribute 20% to the global investments portfolio and contribute 5% to global employment and make a 40% contribution to the economic output in some countries (World Bank, 2014). In this light, therefore, governments are compelled to ensure SOEs operational viability at all costs, hence their restructuring which is meant to revitalize them.

The World Bank concedes that public enterprises continue to deliver critical services in important economic sectors such as utilities, finance, and let alone national resources (World Bank, 2014). In countries like China, large-scale manufacturing and services in competitive sectors are run by SOEs (World Bank, 2014). With these important roles which SOEs play in most economies, governments around the world always make a colossal endeavour to make them viable and operationally sound

through implementing restructuring reforms. Most governments assist the SOEs to prevent most economic sectors of the economy from collapsing. However, financial bailouts on a continuous basis have drained and crippled other governments financially and the option of SOE restructuring became natural.

Countries in Europe, Africa, Middle East, and Asia have embarked on SOEs restructuring for many different reasons and at different stages of their economic development process. The results or impact of the SOE restructuring also vary from one country to the other. Restructuring of SOEs became national public policy and ministries of public enterprises (as shareholder ministries) became champions of the SOE restructuring programmes.

From the international literature above, it is apparent that most countries have opted to restructure SOEs in various sectors of their economies despite the impact of the process on employees. In recent years most SOEs in the electricity, gas, telecommunication, air transport and railroad sectors have undergone major restructuring reform after a long epoch of intense regulation and protection from competition (Friebel et al., 2014). Restructuring of most state-owned enterprises (SOE)s in the United States of America (US) produced large scale employee reductions and increased profitability (Friebel et al., 2014). From this US experience, the assumption that SOE restructuring through downsizing employees can lead to greater profitability and productivity in loss-making public enterprises became fashionable to most countries and their SOEs practitioners. The US freight railroads have been poster children for the relationship between labour downsizing and successful deregulation (Friebel et al., 2014). The Jimmy Carter regime produced the Staggers Rail Act in 1980 which enabled railway sector restructuring programmes and

precipitated massive employee reductions to the tune of 60% between 1981 and 2004 – employees were reduced from 426 397 to 157 699 in the railway sector (Friebel et al., 2014).

SOEs in many countries face the same predicament as the US in the last two decades. SOEs in the railway sector in India, China and Russia are government-sponsored and are subjected to heavy regulation but most of them face the possibility of restructuring reforms (Friebel et al., 2014). Their challenge, however, is identifying an appropriate restructuring reform package. SOEs in the railway sector in the European Union (EU) are unique because "while the EU has defined clear standards for restructuring reform, the implementation differs from one country to the other" (Friebel et al., 2014). SOE in the rail sector in German (Deutsche Bahn: The German Rail sector SOE) embarked on employee reductions as in the US but the French SOEs recorded very few experiences of employee reductions. Downsizing is strategical and organisational. Restructuring of SOEs through downsizing assumes five forms, which include: across the board cutbacks (whereby all units are expected to deplete their employees or cutback costs to an expected level); early retirement and voluntary turnover (whereby management, through incentives, encourages employees to leave the company); delayering the organisation structure by removing some layers in the company; early retirement and voluntary turnover (company leadership, fosters employees to take particular incentives to leave the organisation); contracting out (by outsourcing particular functions or non-core businesses of the life of the enterprise) and lastly removing product lines or divisions (a process through which companies divest themselves of some functional business units).

1.2.2 Brief background to the study setting

This study took place in South Africa and used documents from South Africa. SOEs in South Africa were mostly created during the colonial apartheid epoch by consecutive settler apartheid regimes. SOEs were utilized by the settler apartheid governments as instruments of heavy industrialization in the country despite the political conditions in the country. Major industrialization occurred in the pre-independence period in South Africa. The apartheid regime was interested in key strategic industrial sectors like the security and defence sector, the rail logistics industries, and the energy sector. However, in the post-colonial apartheid epoch, creation of more SOEs continued in South Africa under the auspices of the Department of Public Enterprise (DPE) which is the shareholder ministry and has ownership powers in the SOE sector. It is very important to give the policy setting of SOEs in South Africa. SOEs in South Africa operate within a guided policy framework. Cabinet has instructed the Department of Public Enterprises to give priority to the restructuring of the four largest SOEs: Eskom, Transnet, Telkom, and Denel. This would enable government to maximise the effects of the restructuring programme.

It was envisaged that the major elements of the restructuring programme would have been completed by the end of 2004. All restructuring proposals were, however, subject to cabinet approval. The figure below describes the situation for the top 30 SOEs in South Africa.

Table 1.1: **Top SOEs in South Africa**

Firm	Total assets(Rm)	Turnover (Rm)	Net income (Rm)	Employees
Eskom	69 975	21 071	2 750	37 311
Transnet	42 779	21 680	2 165	100 592
Telkom	27 107	20 160	2 427	57 496
IDC	17 049	3 567	765	502
DBSA	12 002	925	423	465
Land Bank	5 775	2 377	371	98
Denel (1997)	4 253	3 013	82	14 200
Impofin	3 297	220	9	-
Rand Water	3 212	900	258	4 000
Findevco	2 770	485	21	-
Konoil	2 337	82	180	-
Post Office	1 793	2 469	-272	29 195
Airport Co	1 695	710	228	1 718
SABC	1 617	2 474	105	3 217
Foskor	1 323	1 297	135	2 163
Safcol	808	569	9	5 362
Atlantis	683	907	80	2 275
Sapekoe	201	119	0	11 000
Alexkor	200	175	-23	1 078
Abakor	115	290	-55	2 200
Aventura	111	146	-8	1 610
Total	174 102	84 636	9 650	274 482
Total (non-financial)	130 872	76 980	7 881	273 417

Source: Financial Mail Special Survey Top Companies, 25 June 1999

It is important to realise that the key SOEs were Eskom, Transnet, Telkom and Denel which make up approximately 91 per cent of estimated total assets, provide 86 per cent of turnover, 94 % of net income and employ 77 % of all employees in the key 30 state assets. These 4 public enterprises are key although the other 300 other public enterprises are important in the government restructuring endeavour. Apart from the four big public enterprises, the Post Office and Sapekoe, which also have large employee complements making up 91 per cent of the top 30 companies, the number of workers impacted by the privatisation and restructuring of the other state assets is marginal. Lastly, it important to realise that SOEs like Eskom, Transnet (the main holding company of Spoornet) and Telkom are critical for developmental purposes and

economic development. Government of South Africa ranked it SOEs in terms of its restructuring priorities. Based on their poor operational efficiency and effectiveness levels and levels of financial dependency of National Treasury for bailouts, some SOEs were ranked high restructuring priority, others middle and some low restructuring priority as shown by the table 1.2 below:

Table 1.2: **Government restructuring priorities**

CATEGORIES		ENTERPRISE	
Top priority:			
	Companies already in the external restructuring process laid down in the NFA.	-	Telkom, Sun Air, Aventura, Safcol, Airports Company, Alexkor, Autonet, and SAA.
	Companies already in the external restructuring process outside the NFA.		SABC
	Companies under internal restructuring.	-	Post Office, Metro Rail, Spoornet, PX (freight and parcel delivery), SA Rail Commuter Corporation and the SA Reserve Bank.
	Main business in electricity sector.	-	Municipal and provincial distributors, Eskom distribution, transmission, and generation.
	Other main businesses in transport sector.		Portnet
Middle priorities:			
	Other companies in energy sector.		Mossgas, Strategic Fuel Fund, Soekor, Central Energy Fund and Atomic Energy Commission.
	Other companies in transport sector.		Petronet
-	Other significant companies/ businesses.	-	Denel
Low priorities:			
	Less significant businesses.	- -	Abakor and Onderstepoort Biological Products. Agricultural parastatals at a provincial level.

Source: Public Enterprise Ministry (1995, July) Discussion Paper on restructuring of state assets.

1.2.3 Background of South African SOEs

SOEs have been used to propel socio-economic development for many years (Fourie, 2001: 205). South African National Treasury (2013:2) listed twenty-one major public entities listed on the PFMA Schedule 2. According to Fourie (2014:32), the existence of SASOEs and their role, which involves contribution to the socio-economic development agenda is not novel. He explained that the first SASOE was established by the Dutch East India Company in 1792 in Cape Town. It managed postal services (Fourie, 2014:32).

Some scholars believe that the first official SASOE was the South Africa Railways, which was established in 1880 (Fourie, 2014). In the early 1920s, the South African economy was weaved by SASOEs. SASOEs were firstly created to improve industrialisation. Many SASOEs were formed in the 1920s for purposes of strategic industrialization and job creation, (Presidential Review Commission, 2013). From 1948 when apartheid was made officially by the National Party, the government made extensive use of SASOEs to ameliorate the colonial living conditions of the few in South Africa (PRC, 2013). Apartheid regime was globally isolated by sanctions in the 1960s, which caused the government to establish economic policies of regime self-sufficiency. Within that time SASOEs propelled an agenda of uplifting the socio-economic living of the colonial white minority, by fostering self-sufficiency, develop security, and strategic industries (PRC, 2013). Some of the SASOEs that were formed during this epoch were Aventura, South African Broadcasting Corporation (SABC), Land Bank, Sasol and Human Research Science Council (PRC, 2013). The colonial

apartheid epoch between 1948 and 1994, was a period of wealth and economic flourishing for the colonial Afrikaner society. The regime ran a state-controlled economy (Mostert, 2002). Large SASOEs formed during this period, gave the colonial government great influence over the economic affairs (Mostert, 2002). SASOEs, created jobs for the colonial minority – Afrikaner population – with jobs and assisted socio-economic development at the expense of black majorities. The colonial apartheid regime created SASOEs for purposes of economic control and power. Thus, SASOEs became large monopolies enjoying economic preponderance. The profits produced by these State Assets was used to propel developmental objectives for the settler-apartheid populations who were also important politically for elections. From the 1976 till mid 80s there was political instability due to massive political campaigns against the apartheid government form the majority black communities such as Soweto, and the conflict going on in Angola resulted in the strong need for the creation of a much bigger state security establishment (PRC, 2013). One outcome was the establishment of (the Armaments Corporation of South Africa, ARMSCOR (PRC, 2013).

In the 1980s, several SASOEs underwent reforms, mainly because they became financially unsustainable and were costing state resources (Fourie. 2014: 33). Some SASOEs became privatized due to inefficiency and ineffectiveness (PRC, 2013). A summary of the history of SOEs in South Africa is given in Table 1.3 below.

Table 1.3: The history of SOEs in South Africa

Political Environment	Rationale	Examples
1880 -1910 Period of economic self-sufficiency Monopoly concessions were granted to private citizens.	Sovereignty and economic self-sufficiency of the Afrikaner	South Africa Airways
1910 – 1940s Period of high unemployment Saw the establishment of a number of key state-owned corporations.	Strategic industries job creation	Eskom Iscor and IDC (also SAR, Post Office)
1948 – 1970s The Government used State instruments to improve the living standards of a few in the economy and society. After 1960 1960 with growing isolation there was an emphasis on self-sufficiency.	Upliftment Strategic industries Self sufficiency	Aventura, SABC, Sasol Science Council Land Bank
1976 – mid-1980s The Soweto Uprising and conflict in Angola gave impetus to the development of the state security establishment. Also, the Government created entities to circumvent sanction in the mid-1980s the Government followed a trend of fostering the private sector and privatizing some key State industries.	Avoid Parliamentary scrutiny. Busting sanctions Privatization	Central Energy Fund, Denel, Armscor, Mossgas, SBDC Unsor and Sasol
Late 1980s – early 1990s Political change become inevitable Government sought to use the instrument of State to 'win the hearts and minds' if the new voters.	Working around the existing structure of Government	IDT (also used Eskom and Telkom)
1994 – the present New Government focused on poverty alleviation developing a competitive economy and improving the functioning of Government Strong emphasis on creating independent bodies to carry out new functions. Also, a tendency to move functions out of Government to create something new' or effect transformation	Regulatory functions autonomous of Government running away from Government Continued privatization	NER, Nuclear Regulator, Competition Commission. SA National Parks Museums, Water boards, Theatres etc.

(Author's Compilation)

In 1994, the ANC-led government was beset with lofty levels of poverty, inequality, high levels of illiteracy, unemployment, and other legacies of colonial apartheid rule (PRC, 2013). The features left behind by the apartheid government to SASOEs were:

- Archaic management systems,
- Weak infrastructure,
- Duplicated, wasteful and disjointed structures,
- Absence of state assets records and weak balance sheets,
- Demoralized workers and many labour relations conflicts,
- Absence of good corporate governance (PRC, 2013).

In 1994, the ANC-led government pursued Reconstruction and Development Program (RDP). The objective of the RDP was to develop the economy of South Africa in a democratic and transparent way as opposed to decades of colonial and apartheid development (Fourie, 2001). As a macroeconomic strategy, RDP was focused on socio-economic development and economic growth and redistribution of wealth. Transformation of the economy and wealth redistribution were at the core of the RDP efforts (Fourie, 2001).

An SOE is a legal entity that is created as a business organization by a ministry of a country to perform commercial and non-commercial activities for that governmental department (Balton, 2010:26). Governments mostly chose to own the SOE or parastatal fully or partially depending on their economic policy trajectory or economic strategy. The Public Financial Management Act (PFMA) 1 of 1999 in South Africa has

classified and differentiated many of these public enterprises as they are sometimes called. The powers and autonomy of the SOEs are very different depending on their schedules. Some public enterprises have complete autonomy while others have constrained powers, and some are purely commercial, and others are not. A commercial public enterprise is a legal entity formed by a government to undertake commercial tasks for the owner, which in this case can be local, provincial, or national government (National Treasury, 2009). Government remains the main shareholder of a government established commercial SOE. State corporations engage in commercial activities just like private companies although owned by the government. In South Africa, in terms of operational and functional authority, a state corporation enjoys greater autonomy. In the view of Fourie (2012:35), a state or government corporation is an entity that is formed through a state legislation as a separate legal entity that has privileges and liabilities that are distinct from those of its members. In South Africa, SOEs that are corporations and commercial are viewed and sometimes called, government businesses, public companies or state-owned companies or simply state corporations which are found mainly in government strategic priority sectors of the economy such as utilities, defence, and other strategic sectors. The South African government has created SOEs that deal with service delivery and without a profit motive. Such parastatals concentrate on delivering essential goods and services to the public at all spheres of government (Balton,2010).

A non-commercial SOE is an organisation which is government-owned and is purely involved in service delivery functions without a profit motive. Government agencies are included in this category of public enterprises. According to the PRC, government

policies must be linked to the developmental agenda of government. The PRC recognised four issues which are important for development in South Africa. These include, the issue of development and transformation, which is centred on the need of standardizing development and delivery goals for SOEs (PRC, 2012:15-22). The thinking on this issue is that SOEs can support economic transformation through improving procurement practices in favour of historically disadvantaged groups in South Africa. Governance and ownership of SOEs is also a critical issue. The South African government must set long-term goals which are achievable based on quantifiable short-term objectives. The South African government must demarcate its participation as owner, policymaker, and regulator. The other important issue relates to the need for a re-examination of SOEs financing in terms of equity and debt funding. (PRC,2012:14). The final issue is the need to enhance the culture of good corporate governance and openness for purposes of greater operational effectiveness and efficiency. This policy framework is an accelerated agenda towards the restructuring of state-owned enterprises which set out guiding principles for the restructuring program. These objectives were.

- As the enterprise and sector level, restructuring involves improving the efficiency and effectiveness of the entity, accessing globally competitive technologies where possible, mobilize private sector capital and expertise, and assessing in the creation of effective market structures in sectors currently dominated by state-owned enterprises. (PRC,2012).
- At the macroeconomic level, the initiative aimed to attract foreign direct investment, to contribute to the reduction in the public borrowing requirement, and to promote industrial competitiveness and ultimately growth (PRC,2012).

- Social imperatives included the need to ensure growth in employment develop new skills within the labour force. This restructuring further aimed to ensure the wider ownership and participation in the economy (PRC,2012).

The above objectives of government must be revisited to check their relevance in the current environment of South Africa because the socio-economic architecture has changed vastly.

1.2.4 Pre-1994: South African SOEs

During the apartheid era SOEs were created to further socio-economic objectives and economic progress especially given the sanctions that were imposed. The apartheid government developed its complex industrial economy through the instrumentality of public enterprises and spent huge amounts of rands in investment. The apartheid regime was concerned with security of supply of industrial inputs in key strategic areas of the sanctioned country such as mining, defence and utilities (Tshela, 2012). The mining industry was important to the apartheid government since mining was a solid and reliable economic propeller. The apartheid regime concentrated on ensuring that the mining sector was protected and secured since it brought much needed revenue during the difficult global economic times of sanctions. Big mining companies played a critical role in the mining sector and industrialization in South Africa. During the apartheid era, SOEs had a unique and complex relationship with the mining sector in general. In the postal and telecommunication sector, the department of posts and telegraph was created in 1910 as a public enterprise (Ritcken, 2014). The Cape Government Railways was created in 1972 and railways expanded and later the South African Railways and Harbors (SAR&H) was created in 1918 (Akiwandele, 1997). The railways network was important for the apartheid political economy and

industrialization which the country experienced during that time. In 1922 the Electricity Supply Commission was created to build power stations and expand electricity supply across the country. Other major SOEs that were created included the Iron and Steel Corporation (ISCO) in 1928 (Ritcken, 2014) and the South African Synthetic Oil Limited (SASOL) in 1950, for national energy strategic reasons.

1.2.5 SOEs During Apartheid

The Companies Act 61 of 1973, which provided the official legal framework for SOEs, was promulgated and consolidated laws pertaining to companies in South Africa (Bratton, 1999). Thus, public enterprises became regulated and controlled. Most public enterprises were recognized as non-profit making entities of the state. The Companies Act 61 of 1973 created the Industrial Development Corporation (IDC) for developing financing purposes (Akiwandele, 1999). Restructuring and privatization of SOEs under the apartheid regime was propelled by the economic sanctions which were imposed to South Africa by countries world-wide (Mukwena, 2012). Hence, the passing of the 1987, White Paper on Privatization and Deregulation which was aimed at introducing private sector participation in the public sector and raise funds for the ailing apartheid government by procuring state assets to private investors (White Paper, 1987). Thus, it can be noted that restructuring and privatization of SOEs in South Africa did not begin after 1994 but it was a continuation of the policy which the apartheid government had adopted due to immense pressure from economic sanctions. Restructuring and privatization reforms began during the apartheid era and the new democratic government continued with these apartheid sets of policies although for completely different reasons. However, the common denominator is that SOEs were ailing hence the need for restructuring and privatization reforms. The 1987 White Paper suggested

two major SOEs, namely: Iscor and Sasol. The Department of Privatization and Deregulation was created by the apartheid government to deal with SOEs (White Paper, 1987). Apartheid government sanctions crippled the operational viability of SOEs and thus their operational and financial effectiveness and efficiency was debilitated. SOEs were severely emaciated financially hence the need to introduce private sector participation through privatisation and restructuring. A history of SOEs and industrialisation during colonialism and apartheid was characterised by the following:

- The formation of the Department of Posts and Telegraphs in 1910. The department over-saw the development of postal, telephony and broadcasting infrastructure and related services.
- The creation of the South African Rail and Harbors (SARH) company in 1916.
- The funding of the Electricity Supply Commission (ESCOM) in 1922 to build generation, transmission, and distribution infrastructure which in the 1980s became a corporatized company Eskom.
- The creation of the Iron and Steel Corporation (Iscor) in 1928 to promote South Africa's industrial development.
- In 1950, Sasol was formed to both beneficiate coal, and entrench national fuel security.
- 1976 - 1979 saw the creation of production of fuel.

- 1950 - 1994 marketed the rise of energy intensive resource processing industries (the rise of minerals energy complex: which involved resource processing, infrastructure provision and capital goods manufacturing).
- 1989 Mineral Energy Complex accounted for approximately 30% of GDP and up to 95% of exports in South Africa (Fine & Rustomjee, 1996).
- A state company Armscor in 1968 was involved in defence industry (later corporatized into Denel in 1992).
- 1987 White Paper on Privatization and Deregulation in the Republic of South Africa 1990, Transnet SOC Ltd succeeded South African Transport Services (SATS), a commercialized SOE.
- SAR&H was succeeded by South African Transport Services (SATS) in 1981.
- Commuter operations and long-distance services were transferred to Passenger Rail Agency of South Africa (PRASA) in 2008.
- Spoornet was created.
- Spoornet restructured into divisions, namely, Transnet Freight Rail, Orex, and Coalink.
- Transnet Freight Rail (CTFR) was formed.

(Author's Compilation)

1.2.6 SOEs Post 1994

In all the spheres of government, namely, national, provincial, and local spheres of government, Merrez (2010) observed that the settler colonial apartheid governments created fewer public enterprises than the post-apartheid government with the result that there were fewer public enterprises (PEs). Various views exist on the number of public enterprises currently in South Africa. The Mandela government inherited about 300 SOEs from the settler apartheid government after 1994 (Fourier, 2012). The Human Science Research Council (HSRC) argues that South Africa has about 713 SOEs (HSRC, 2015). The post-apartheid governments have increased SOEs for purposes of socio-economic development and social equality issues. (Mukwena, 2012). The Freedom Charter which guided the African National Congress (ANC) government was not in favor of the neo-liberal privatization and restructuring trajectory. Reconstruction and Development Program (the RDP) document which the ANC relied on after 1994 proposed the major government involvement and ownership in critical key sectors and strategic sectors of the economy in South Africa.

The RDP was replaced by the Growth, Employment and Redistribution (GEAR) macroeconomic strategy of 1996 which was sympathetic to restructuring and privatization of state assets in SA. The adoption of GEAR witnessed the establishment of the neoliberal macro-economic trend in South Africa hence the pursuance of SOEs privatization and restructuring reforms. The GEAR strategy embraced privatization and restructuring of SOEs in almost a similar manner as was advocated by the 1987in the White Paper on Privatization and Deregulation during the apartheid although the circumstances socio- politically were different. The RDP which the ANC government championed at independence was jettisoned by 1996 in favor of GEAR which was

resisted by many employee's trade unions in South Africa including Congress of South Africa Trade Unions (COSATU) and its affiliates including South African Transport and Allied Workers Union (SATAWU) which represents most workers in the railways sector. Many SOEs underwent a process of restructuring after the adoption of GEAR by the South African government. These include Telkom, Eskom, SAA, AMSCOR, Denel, and Transnet (these were major SOEs in South Africa in the utilities sector of that time). Commercialization was introduced in these state assets to pursue commercial interests in a bid to raise capital and improve their operational efficiency, effectiveness, greater competitiveness, and greater productivity (PRC, 2015). Many non-core business units of these SOEs were sold out to private investors to raise the much-needed capital and reduce dependence on the government financial support or bailouts which most of these SOEs were accustomed to continuously (PRC, 2015).

After 1994, a plethora of policies were formulated which affected the operations of SASOEs. These policies were focused on improving economic development and growth. These policies also mentioned the use of restructuring and privatization as avenues to fund the RDP program. One of the post 1994 public policies was RDP which influenced the shaping and weaving of SOEs purposes and missions. It advocated for efficiency and effectiveness amelioration in SOEs. GEAR, was one of the policies formulated post-1994, and impacted SASOEs in the sense that of its objectives focussed on capacity building and competitiveness of State Assets. Table 1.4 below depicts those policies.

Table 1.4: Summary of post - 1994 policies affecting SOEs

Policy environment	Rationale
1994: The government committed itself to reform the country with RDP. The ANC led Government focused on issues that were neglected during the apartheid era such as unemployment housing and crime.	The establishment of SOEs in apartheid South Africa created the conditions for skewed development aims, irregular infrastructure and service delivery and a host of structural problems. Since 1994, these have limited the ability of SOEs to adjust to new requirement and new policies.
1996: The Mandela administration begins to re-introduce South Africa into the global economy by implementing a market oriented economic plan, GEAR.	Speeding up the restructuring of State assets to optimize investment resources. The implementation of the public sector asset restructuring programme, including guidelines for the governance, regulation, and financing of public corporation, and leading off with the sale of non-strategic assets and the creation of Public Private Partnerships in transport and telecommunications.
2004: AsgiSA originated from a commitment made by the ANC in its 2004 election manifesto to halve unemployment and poverty by 2014. To this end and other stakeholder inputs. Government development a focused set of initiatives to accelerate shared growth.	The policy was meant primarily to address the scourge of poverty. The policy intended to mandate the Government to halve poverty and unemployment by 2014. Steady improvement in the economy's performance and job creation capacity at the time convinced SA policy makers that these objectives were feasible and achievable.
2010: ANC National General Council Reaffirmed the commitment of the ANC to the Development State.	The ANC defined its understanding and vision of the key attributes of the South African Developmental State for the first time in 2007.
2010: New Growth Path (NGP) Re-affirmed the commitment of the ANC to a Development State.	The policy is meant to create decent work, reduce inequality, and defeat poverty. The realization that this can only happen through a new growth path founded on a restructuring of the South African economy to improve its performance in terms of labor absorption as well as the composition and rate of growth.

2011: **IPAP2** was a plan to guide trade and industry in the country.	To enable the Department of Trade to continue with its efforts to build on its industrial development which enter alia, will align to the NGP
2011: NPC was in the National Planning Department in the Presidency.	The purpose of the NPC is to develop the country's long-term vision and national strategic plan as well as producing a development plan of how this vision will be achieved.

(Source: NPC,2011)

SOEs in South Africa function within a wide policy framework, that is in line with and that complements government's intention of strategic, social, economic, and developmental objectives. SASOEs must be aligned to the following:

- South African government long term goals.
- Political mandate.
- Social upliftment and empowerment imperatives.
- Economic transformation and economic growth Initiatives and
- Environmental Sustainability Goals as expoused by the Kyoto protocol (Bronstein and Olivier, 2011).

1.2.7 Legislative and Policy Framework for SOEs after 1994

SOEs in South Africa are regulated by a plethora of pieces of legislation. Thus, there are different acts of parliament and policies which give a framework of SOE operations in South Africa. These include the popular Public Financial Management Act (PFMA)

of 1999. The PFMA (1999) is not limited to SOEs only. Section 1 of the PFMA (as updated in 2008) depicts SOEs as a national government enterprise which:

- a juristic person under ownership control of the national executive.
- has assigned financial and operational authority to carry on business entity.
- as its principal business, provides goods and services in accordance with ordinary principles; and
- Is financed fully or substantially from services other than the National Fund or by way of tax, levy, or other statutory money (PFMA,1999).

Section 48 provides for classification of public entities. The Minister may notice in the national Government Gazette classify public entities listed in Schedule 3 in accordance with the relevant definitions set out in Section 1 along the following considerations:

a) National government business enterprises.

b) Provincial government business enterprises.

c) National public entities; and

d) 46 provincial public entities.

The Companies Act also regulates SOEs in South Africa. The Companies Act 71 (2008) defines companies as profit-making or non-profit making. According to Section 1 of the Companies Act, a state-owned company means “an enterprise that is registered in terms of the PFMA or MFMA”. SOEs are regulated by the act and as such must have an LTD designation at the end of their name. The Companies Act provides that any provision of the act that applies to public companies also applies to

SOEs, except to the extent that the Minister has been granted an exception in terms of the act (Companies Act, 2008). At the local government level, the Municipal Systems Act and the MFMA are the principal pieces of legislation that govern the operations of SOEs. The Municipal System Act depicts municipal entities into three groups namely: private companies, service utilities and multi-jurisdiction service utilities. In terms of Section 86 D (2) of the Municipal System Act, a company which is a municipal entity must:

a) restrict its activities to the purpose for which it is used by its parent municipality it terms of section 86 E (1) and

b) has no competence to perform any activity which falls outside functions and powers of its parent municipality contemplated by section 8.

Many policies impact on the work of SOEs in South Africa: the shareholder ministry and the policy ministry are important in this regard. The Department of Public Enterprises (DPE) formulated most of these policies and they include: the DPEs Medium Term Strategic Framework (MISF) 2015-2019; Industrial Policy Action Plan (IPAP) and the National Development Plan (NDP) from the National Planning Commission. The developmental state of South Africa believes in the role of SOEs in socio-economic development since 1994.

The policy “An accelerated agenda towards the restructuring of state-owned enterprises” is a critical policy document in the South African restructuring saga. This policy document sets out the objectives of the restructuring programme clearly as follows:

- The enterprise and sector level restructuring involves improving the efficiency and effectiveness of the entity; accessing globally competitive technologies where possible; mobilize private sector capital and expertise and assessing in the creation of effective market structures in sectors currently dominated by state-owned enterprises (National Treasury,2009).

- At the macroeconomic level, the initiative aimed to attract foreign direct investment, to contribute to the reduction in the public borrowing requirement, and to promote industrial competitiveness and ultimately growth (National Treasury,2009).

- Social imperatives included the need to ensure growth in employment develop new skills within the labor force. This restructuring further aimed to ensure the wider ownership and participation in the economy (National Treasury,2009).

The NDP states that by 2030, South Africa should have financial sounding SOEs (National Planning Commission, 2012). To achieve this SOEs must be commercialized. The NDP holds that every SOE needs to have a clearly defined and transparent mandate that will outline its role and how it will serve the public interest (NPC,2012). Moreover, it requires a clear and unequivocal governance structure which entails identifying and managing the government's role in policymaking (National Planning Commission, 2012). The NDP requires serious consideration on the various roles, ranging from policymaking to governance, to ensure sustainable well-balanced priorities and coordination between different policy priorities (NPC,2012). Although clear governance structure may reduce financial burden

(NPC,2012). There is a need to develop skills required by SOEs to ensure that they are financially sound.

They also draw from National Growth Plan (NGP) which is set to “deepen the domestic and regional market by growing employment, increasing incomes and undertaking other measures to improve equity and income redistribution” (National Growth Plan Policy, 2009:14). The NGP is the government’s response to insufficient job growth and the need to accelerate income growth and reduction of inequality. This policy identifies six priority areas of job creation with SOEs as essential players (NGPP,2009). As established in Chapter Two that SOEs often undertake governance commercial activities and create jobs, the NGP challenges South Africa to do more to create job opportunities in the fast-growing economies of China, India, and Brazil (NGPP,2009). Indeed, the NGP sets out a range of practical measures to achieve this and draws from the growing economy’s view of realizing NDP(NGPP,2009). It is also significant to note that RDP was replaced by the GEAR a macroeconomic strategy (GEAR) of 1996 which was sympathetic to restructuring and privatization of state assets in SA(NGPP,2009). The adoption of GEAR witnessed the establishment of the neoliberal macro-economic trend in South Africa hence the pursuance of SOEs privatization and restructuring reforms. The GEAR strategy embraced privatization and restructuring of SOEs in almost a similar manner as was advocated by the 1987 by the White Paper on Privatization and Deregulation during the apartheid although the circumstances, socio-politically, were different. The RDP which the ANC government championed at independence was jettisoned by 1996 in favour of GEAR which was resisted by many employee’s trade unions in South Africa including

COSATU and SATAWU which represent most workers in the railways sector. Many SOEs underwent a process of restructuring after the adoption of GEAR by the South African government. These include Telkom, Eskom, SAA, AMSCOR, Denel, and Transnet (these were major SOEs in South Africa in the utilities sector of that time). Commercialization was introduced in these state assets to pursue commercial interests in a bid to raise capital and improve their operational efficiency, effectiveness, greater competitiveness and let alone greater productivity (PRC,2015). Many non-core business units of these SOEs were sold out to private investors to raise the much-needed capital and reduce dependence on the government financial support or bailouts which most of these SOEs were accustomed to continuously (PRC,2015). In adopting the restructuring and privatization programmes, the South African government accepted a neo-classical hypothesis which believes that private ownership and less state involvement equals higher efficiency in the open marketplace. Restructuring and privatisation of SOEs assumes various patterns and forms, thus, it is less accurate to view replacement of state involvement with private sectors as the only solution to rectifying the problems of SOEs. Restructuring privatization of SOEs in South Africa, has been associated with the concepts of efficiency, effectiveness, productivity, and greater profitability, thus viewing restructuring and privatisation as a goal rather than a simple means to an end. It is important not to generalize and not to overestimate the powers and abilities of restructuring and privatisation but not to entrench specificities into the type of government intervention to be replaced by the private interests and the governmental context, in terms of policy. The government of South Africa had their own idea regarding the perceived effects of Restructuring and Privatisation Initiatives (RPIs).

Table 1.5: Social and economic impact of restructuring

Internal to the firm industry or sector	Broader economic impacts	Social impacts
Enhancing efficiency and effectiveness of state enterprises	Reducing the public sector borrowing requirement	Ensuring wider participation in the SA economy
Accessing globally competitive technology	Attracting foreign direct investment and portfolio inflow	Mitigating possible negative social impacts arising from restructuring
Creating effective market structures in the sectors currently dominated by state owned enterprises	Financing growth and the requirements for industrial competitiveness	Promote sustainable employment, either directly or indirectly, through improvements in the economy
Mobilising private sector capital and expertise	Maximize Shareholder value	Consumers benefit from lower prices and higher quality services
	Performance monitoring of SOEs	

(MPE, 2005)

It is also important to determine the frequency and type of restructuring and privatization which is needed by specific SOE than to apply a blanket approach in the implementation of the restructuring and privatization programmes. RPIs must be viewed as part and parcel of a broader micro-economic policy framework than isolated sectoral blanket reforms targeted at a general sector of SOEs.

Generally restructuring through privatization must be viewed as a means as opposed to an end in the post-apartheid socio-economic transformation process. The nature of RPI is subject to sectional interests which are determined by stakeholder agreements or objections, mainly unions, business, and the state. Discussion between trade unions SOEs management and government, influence the restructuring and privatization trajectory consensus between the above stakeholders, is very unlikely because of differences is developing, membership pressure for the trade union and prevailing political dynamics. Restructuring and privatization, must take cognizance of the unique qualities of each SOE and the national architecture in terms of cultural variables, resources, and public policy inclination of government of the day.

Restructuring and privatization implementation is a clearest sign that the micro-economic policy of the country has adopted a new-liberal trajectory, which emphasis the supremacy and preponderancy of post-Keynesian economic programmes and new-liberal restructuring of SOEs and the economy in general. Restructuring and privatization must be seen as an ongoing process and must be renewed with due consideration to the various endogenous sectoral factors and exogenous micro-economic issues of a particular country. Restructuring and privatization are economic, political, and social. Therefore, all stakeholders must be engaged from the conceptualization, implementation, monitoring, and evaluation stages. In South Africa ANC/SACP/COSATU alliance were all involved at every stage. RPIs are located within the neo-classical theory which opposes government participation in the economy arguing for less state involvement in the economy. The argument of the neo-classicists engendering a free market, RPIs, trade liberation, and creating an enabling milieu for the west, African states can create conditions for economic efficiency and growth. Western multinational companies repatriate most of their profits to their home-countries leaving poor countries with nothing, when in fact they will have bought the non-performing SOEs from the government.

RPIs do not naturally translate into efficiency, effectiveness, productivity, and profitability, more measures need to accompany the process. South African Airways underwent an RPI, with Swiss Airlines for 20% but the deal collapsed, and the government of South Africa had to re-nationalize the airline.

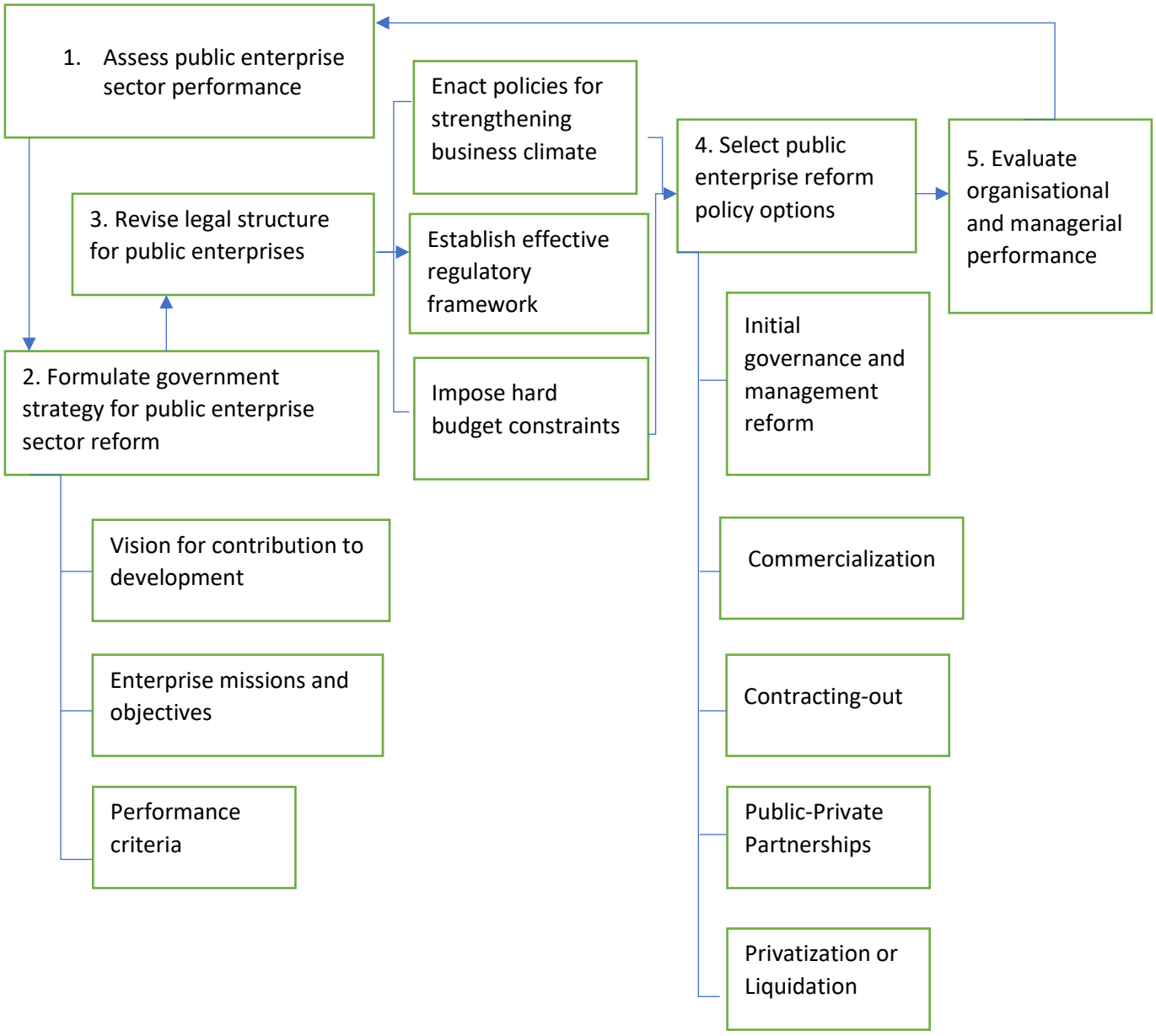
SOEs were established because of the lack of interest by the private sector to invest in utilities, to prevent the negative monopolistic power of private interest, for purposes of creating wider spatial income distribution, to enable greater employment opportunities, and to enable delivery of social needs to vulnerable communities.

Governments justify their role in the economy by arguing that they seek to protect nations from foreign capital which may be exploitative and not long-term in terms of positive contribution to society. In former colonies, African governments justify state interventionism by arguing that the state protects its citizens from colonial exploitation by foreign colonial companies. However, the neo-classicists postulate that state-led economies are weak and not sustainable because of lack of injection of foreign private capital. Neo-classists argue that RPIs are a necessary evil for generation of funds.

Government must clearly demarcate the role of SOE and institutionalize good corporate governance practice. SOEs perform poorly because of other exogenous factors for instance, external sanctions which the colonial apartheid government was subjected to, global economic decline of the 1970s and 1980s which was caused by world recession, rising debt and world bank conditionalities for IMF/WB loans to borrowing countries. These factors may precipitate poor performance for SOEs. In South Africa, the NFA, RDP, GEAR resolution argued for implementation of RPIs in SOEs. For South Africa, the roots of the need for RPIs were outlined by the 1987 White Paper on Deregulation and Privatization in South Africa. In South Africa, the RPIs of the 1980s and 1990s must be seen from a perspective of a radical policy-shift in terms of anti-statist policy projects. In 1987, some RPIs were embraced owing to

the global context and environment, which castigated statist principles of government like state ownership of SOEs. Western anti-statist view approves of RPIs as panacea to poor performance and shortage of funds in SOEs. The declining government revenues at independence in South Africa, provoked the anti-statists to recommend RPIs, for raising finance for government project because the colonial government had accrued huge debts, and the economy was flagged. The 1987 privatization project met with radical opposition from COSATU and other political formations in the country. Neo-classists believe in the role of the markets and the anti-statists concur with them. The statists argue for the increased role of governments in the economy hence nationalization which is the opposite of RPIs. Most SOEs have a framework which they must use for evaluation of the implementation of any reform measure and most governments have frameworks which guide them as shown in Fig. 1.1 below:

Fig. 1.1 Framework for assessing public enterprise reform.



1.2.8 Background and Setting of Spoornet

The first railway service began in 1960 in KwaZulu Natal, between the Durban Market Square and Point. The main purpose of railway construction was to transport freight which was mainly in the form of minerals from mines across South Africa, especially

from the inland and ports (JICA, 2013). Bulk iron ore, coal and platinum are some of the critical minerals which are transported by the railways (JICA, 2013).

Thus, the creation of iron ore line and the coal line, which are the largest in terms of the freight, which Spoornet transport. Spoornet is responsible for the freight transportation of most of the minerals. It does this on an 861km single-track freight line (iron ore line) linking Sishen (altitude 1,200m) inland where the iron ore mines are located and the Saldanha port on the Atlantic coast, in the Western Cape (JICA, 2013). The standard for the iron ore line is a freight car with a 100-ton load capacity: a freight train, made up of five electric locomotives and a maximum of 342 of these freight cars, is approximately 4,200 meters in length and can haul up to 34, 000 tons at a time (JICA, 2013). The coal that TSOE transport comes from several coal mines which are between 150km to 250km from the city of Johannesburg, through Ermelo for export. Trains of 2,400m long and are made up of 200 freight cars with a maximum load capacity of 84 tons each and hauled by 6 electric locomotives which operate within the coal domain. These locomotives operate around 450 kilometers (coal line), which comes from Ermelo at an altitude of 1,700 meters to Richards Bay on the Indian Ocean, in KwaZulu Natal (JICA, 2013). TSOE, falls under TRANSNET, a government parastatal responsible for transport in South Africa. Transnet is one of the nine state-owned enterprises by the DPE. Its main role in the economy is to transport coal, iron ores and other minerals and goods (JICA, 2013).

1.2.8.1 Development of Railways as a South African SOEs

The development of railways in South Africa can be summarized as shown below:

- 1838: First reference to the question of railway construction in South Africa was published in the South African Commercial Advertiser, 10 October 1838.

- 1853: The Cape Town Railway and Dock Company was formed.

- 1859: Natal Railway Company was formed.

- 1860: The line between Point and Durban was opened.

- 1862: Cape Town and Eersterivier was opened and in 1863 to Stellenbosch.

- 1863: A line between Stellenbosch and Wellington was opened.

- 1873: Cape Town – Wellington line was transferred to government and the Cape Town Railway and Dock Company as well as the Wynberg Railway Company ended their existence and were government owned until the creation of Cape Government Railways (CGR).

- 1887: Anti-Railway Conferences met at Ladybrand, Dewetsdorp and Brandfort.

- 1886 – 95: Railway Politics were complex, and President Kruger refused to allow CGR to extend the Kimberley line into the South-western Transvaal.

- 1895: Natal Government Railways (NGR) reached Johannesburg via Volksrust.

- 1903: A railway committee of the inter-colonial council took over control of railways of colonies.

- 1907: Commissioners were appointed to report on the organisation and administration of the Central South African Railways disapproved political influence in railways construction and management. The Commissioners belonged to the Cape Parliamentary Railways Commission appointed in 1907.

- 1909: South African Act of treated South African Railways as a department of State (all harbours and railways belonging to the several colonies at the establishment of the Union were vested in the Governor-General-In-Council).

- 1910: The establishment of the Union of South Africa (Cape of Good Hope, Natal, the Transvaal, and Orange Free State) saw the creation of South African Railways (SAR).

- 1916: Railways Board Act

- 1925: It was accepted that no further lines would be built but roads would be used.

- 1961: South African Railway and SAA separated administratively due to the reorganisation which took place.

- 1961: Section 99 of the Republic of South Africa Constitution Act No 32 of 1961 creates the Railway and Harbour Fund.

- 1962: The Railway Board Act No 73 of 1962 spelt out that Railways and Harbours were to operate under the control and authority of State President through a minister advised by the board.

- 1976: South African Railways and Harbours employed a total of 254, 775 thousand employees, including SAA personnel: 404 pilots, other crew 905, aircraft maintenance and servicing personnel 2945, traffic, sales, and all other

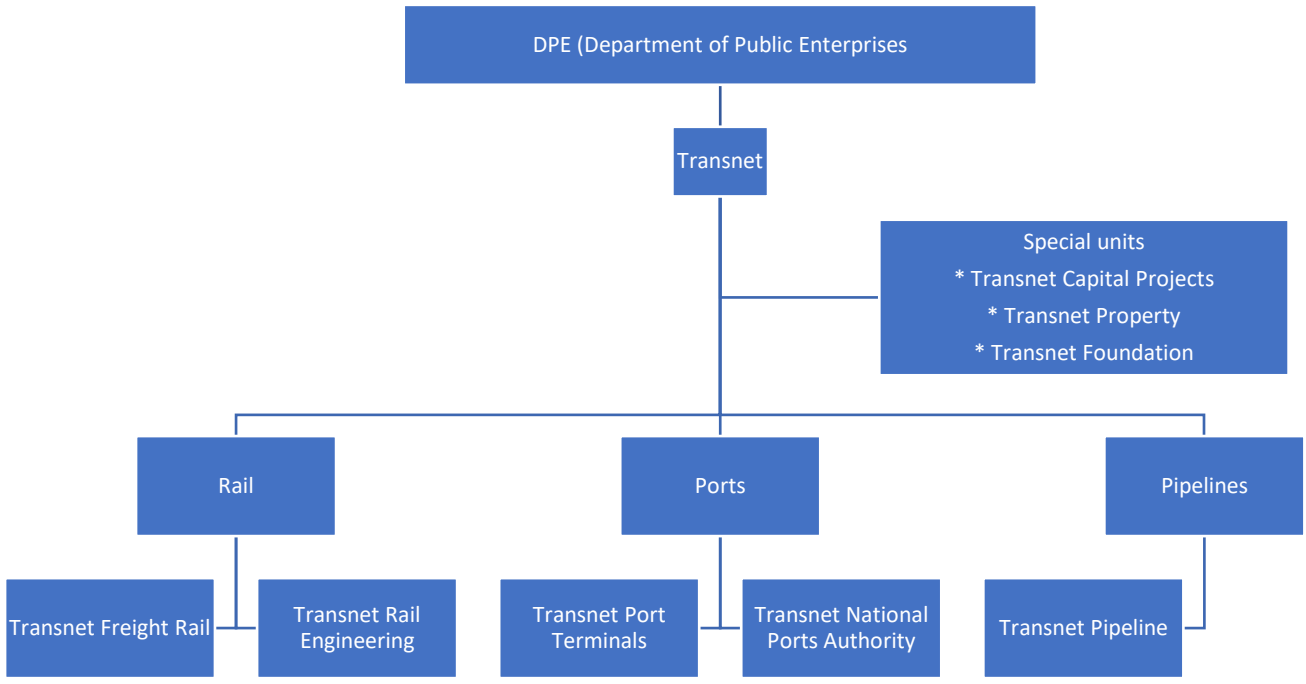
SAA personnel of 5668. A total of 9922 staff for SAA of which 8050 were white and only 1872 were non-whites (Surdut, 1977).

- 1981: South African Transport Services Act No.65 of 1981 was established for Act No.32 of 1961. South African Railways and Harbours was changed to South African Transport Services (SATS).

- 1990: TRANSNET was born to replace SATS.

Owing to the rise in mineral prices, Transnet was profitable by 2000 and its structure is divided into rail, ports, and pipelines. Spoornet is mainly responsible for railways business following the structure depicted in Fig. 1.2 below.

Fig. 1.2: Structure of the DPE



The department of Public Enterprises is the shareholder ministry of Spoornet, and the policy ministry is the department of transport. Spoornet operates a huge size of railway

line and tonnage of freight in the country, but some lines were closed or abolished (JICA, 2013). The competition with road transport freight operators has become very intense since 1996, particularly after the passing of the 1987 Deregulation and Privatization Act in South Africa. TSOE, as a state-owned entity has been supported financially by government Bakazi (UWC). SOEs lost many jobs between 2000 – 2001. The number of jobs lost or gained are shown in table 1.6 below.

Table 1.6: Parastatal Jobs 2000 – 2001

Enterprise	2001	2000	Jobs gained or lost
Eskom	33,032	35,707	-2,675
SA Post Office	25,943	28,633	-2,690
Rand Water	3,249	3,235	14
Safcol	4,043	5,362	-1,319
Telkom	43,797	49,128	-5,331
Transnet	86,100	90,514	-4,414

Spoornet is a rail freight, long distance passenger and largest operational divisions within the Transnet Company. By 2007 it employed approximately 31 013 employees (Transnet, 2017). In 2002 it had been downsized to 34 000 employees, (SATAWU, 2005). Job losses have been experienced by the SOE, but the engagement of SATAWU with the management of Spoornet and government managed to minimize the impact (SATAWU, 2005). By influencing the minimization of the extent of employee downsizing, SATAWU achieved a victory. The proposed neoliberal restructuring of Spoornet also meant the sudden increase in labour-brokers, outsourcing and a

weakening of the trade union collective bargaining power because of member massive losses. SATAWU suffered in its various multi-level membership segments.

SAR&H was rebranded as South African Transport Services (SATS) in 1981. It was modelled along private business lines regarding the management structure in its divisions which included railways, harbour, road, air, and pipeline strategic operations (Transnet, 2014). The apartheid economy was dominated by state involvement to the tune of 64% in the 1980s (Van der Walt, 2015). This dropped to 30% by 2016. In 1988, the colonial apartheid government engaged in a parastatal development programme, which involved the breaking down of big Public Enterprises (PEs) along functionality lines. The aim was to sell them on the market and make money for the government. Transnet was born in 1990 and SATS closed. It had Petronet, Autonet, Railnet, Portnet and SAA as subsidiaries. The apartheid government faced challenges from political formations like the United Democratic Front (UDI) and the trade unions (Greenberg, 2006). In the period between 1982 and 1990, SATS, witnessed employee downsizing to the tune of 100 000 job cuts. Employee downsizing continued again with a further 50 000 employee reduction from Transnet. During this period Transnet was left with only approximately 116 000 workers after the above job losses had occurred (Southall, 2007). Given the foregoing, it should be noted that employee downsizing commenced during the apartheid era when neo-liberal reforms were initiated. SOEs poor financial performance problems did not originate in the post-colonial and apartheid epoch.

1.2.9 Problem statement

Restructuring through downsizing is pervasive in contemporary SOEs. Restructuring through downsizing is a business strategy implemented to improve the financial position of SOEs through workforce or employee reduction (Al-Hammali., et al, 2017). Often employees are not given much attention, yet the success of this initiative depends on employees' cooperation (Al-Hammali., et al, 2017). Restructuring through downsizing is a strategy that has been used in most SOEs in the last two decades. This study is worth doing because many employees across many State-Owned Enterprises have lost their jobs through the downsizing process, thus, it is important to understand the nature of the direct causality of this negative process. It is also critical to comprehend the rationale of restructuring and privatization of State -Owned Enterprises to be able to come up with policy recommendations to deal with the negative implications on employees. The results of this study are important because they assist in policy discourse and policy formulation to address problems of ailing SOEs in South Africa.

Downsizing is a form of restructuring which focuses on employee reduction to maintain business competitiveness (Kulkarni, 2013). Thus, in competitive SOE environments where sometimes organisations are forced due to global economic melt downs, employee downsizing has been used as a strategy for organisational restructuring (Morton & Orman, 2010). In most cases the motivation for adopting this approach is the quest for greater and improved levels of efficiency, organisational productivity, profitability, and accelerated competitiveness (Bhardwaj and Yadav,2011). Restructuring through downsizing has generated many interests among scholars and policy makers because of the widespread belief that research in the area is

underdeveloped and the theoretical confusion on downsizing strategies (Gandolfi, 2008). In most organisations the utilization of restructuring through downsizing is mysterious (Kennedy, 2005; Al- Hammali, 2017). Thus, there a need to do more research in this field. The rationale underlying SOEs decision to restructure through employee downsizing is straightforward: by reducing costs, SOE executives endeavour to ameliorate SOE operational performance albeit the negative impacts the process may precipitate on workers. The problem of concern in this study is the implication of SOEs restructuring through downsizing on employees with specific reference to Spoornet employees.

1.3 Objectives of the study

1.3.1 General objective:

The main aim of this research is to examine the implications of restructuring and privatisation of State-Owned Enterprises on employees in South Africa with specific reference to Spoornet. To achieve this, the following specific objectives were set:

1. To investigate rationale of restructuring and privatization of State-Owned Enterprises (SOEs)
2. To examine the implications of restructuring and privatisation of SOEs on employees.
3. To examine the trade union response to restructuring and privatisation.

1.4 Research questions

In relation to the problem statement outlined above, the study seeks to answer the following research questions:

1. What is the rationale of restructuring and privatisation of SOEs?
2. What are the implications of restructuring and privatisation of SOEs on employees?
3. How did the trade union respond to restructuring and privatisation of SOEs?

1.5 Thesis statement

Restructuring and privatisation of SOEs naturally has negative implications on employees because of the efficiency measures which SOEs embark on. The keep the SOEs operating effectively some efficient measures are implemented which affect the employees and their trade unions. Trade unions resist these measures which have negative implications on the workforce. However, albeit the continually resistance from the unions, SOEs normally proceed with their restructuring and privatisation initiatives. The rationale of these privatisation and restructuring reforms is that SOEs believe that such reforms may ward -off financial dependence on governments and widen their chances of operational efficiency, effectiveness, productivity, greater competitiveness

and let alone profitability. Trade unions resistance may take the form of producing alternative reconstruction proposal which cushion the impact on employees.

1.6 Significance of the study

The restructuring of SOEs has unfolded in South Africa across many sectors and is very topical due to the events that have taken place in the public enterprises sector. Downsizing is a form of restructuring of SOEs with regards to employee reduction to achieve or attain some amelioration in the work environment (Kulkarni, 2013). Most governments through their shareholder ministries of public enterprises implement the restructuring strategy in most SOEs in a bid to improve their overall operational performance and forestall their financial dependence on government funding. Thus, most studies that have been done on downsizing as a form of restructuring, have focused primarily on the financial and business viability impact. This study focuses on the implications of downsizing, as a form of restructuring, on employees of SOEs with specific reference to the railways where very little research exists in South Africa. The limited research which is available is in developed countries mostly the US, Western European nations, and OECD countries. It is also important to note that research on the implication of restructuring through downsizing on employees of SOEs particularly in railways, is scanty. The research is scanty and invites academician and researchers to add local aroma so that solutions can be sought (Chaudhry et al., 2015.) Some scholars suggest that research knowledge about downsizing is still relatively underdeveloped (Macky, 2004), while others stress the confusion surrounding downsizing strategy (Gandolfi, 2008). Indeed, there is very little research globally

undertaken on downsizing as a form of organisational restructuring particularly in SOEs in the railway sector, hence the need to carry out more research studies in this sector (Al-Hammali et al, 2017). The research envisages production of new knowledge and adding on to the limited literature that already exists on the topic. It is very critical to understand the implication of restructuring and downsizing on employees of SOEs because of their strategic role in the development of South Africa. This will help restructuring enterprises to plan and implement relevant strategies and policies with regards to the affected employees. Restructuring through downsizing precipitates negative implications to the workforce. This study will assist in the conceptualisation of solutions and strategies to deal with negative implications in terms of the restructuring policy implementation in SOEs. Restructuring and downsizing is motivated by the desire to decrease the workforce irrespective of the negative consequences that may incur. The profit motive is usually high on the agenda of most SOEs and governments. This research endeavours to develop some valuable insights into the implication of restructuring and downsizing on employees and how remedial policy actions can be implemented to cushion the implications.

1.7 Limitations of the study

Document Analysis was chosen as one of the best approaches because of the nature of the research questions of the topic under consideration. Documents which provide a first-hand account of an event or occurrence without interpretation or analysis are called primary data (Gross, 2018) hence the preference. These types of primary data would include minutes of board meetings because a meeting member generated the document as a record of the meeting, personal letters, e-mails, photos, policies,

newspaper articles and advertisements (Gross, 2018). Primary sources may not be published and may require more extensive research and greater time to identify and retrieve them from personal, public or historical achieves (Gross, 2018). The second type data is called secondary data. This type of data is developed because of analysis of primary sources and interpretation of the construct of interest (Gross, 2018). The use of secondary data, or the re use of data preceding research projects, can assist researchers to gain methodological and fundamental insights (Hessen link, 2017). The use of secondary data in research has become a recognized and established research method that enjoys concurrence in the UK and in Finland (Bishop & Kuula – Luumi, 2017). Most of these documents were created for the purposes of sharing the interpretation with a wider audience and are often published in the public domain, therefore common sources of documentary data include books, chapters, research articles, dissertations, literature reviews, and web pages (Gross, 2018).

. Restructuring of SOEs through employees downsizing of employees is a very sensitive policy issue and most of the information may be classified. Officials are very sceptical about giving out documents information even if they are public. SOEs are of key national importance and therefore officials treat information reticently. The advantage of document analysis is that most documents are public documents found in parliamentary library, annual reports and various public for a. When approaching officials for reports the researcher must show clearly that he is a student at NWU. The researcher must also be able to explain that the information obtained is for academic purposes. A qualitative approach is not porous to generalizations but rather it generates detailed understanding of the process of restructuring and downsizing and its implication on employees in SOEs. It important to realize that qualitative research

is critical because of its particularistic approach and its specificity when dealing with a research issue (Creswell, 2014).

1.8 Delimitation of the study

This study is confined to the Restructuring and Privatisation of SOEs through employees downsizing with specific reference to employees in SOEs only. Spoornet has been used as the case study. This study will not delve into comparisons or similarities of the SOEs with regards to downsizing because it is not one of the aims of this qualitative study.

1.9 Theoretical background

Restructuring of SOEs through employees downsizing has precipitated a plethora of negative implications to railway employees. SOEs that have downsized one or more times, have experienced employee layoffs, no change in the workload of employees, overtime work precipitated stress, low – value jobs are created, and most employees are eliminated from the organisation to cut cost of operations. In most cases some of the employees are kept as business consultants by the downsizing SOE. This section deals with the theoretical approach or underpinnings of this research.

1.9.1 Theories

This study adopts McKinley ‘s institutional theory of downsizing and Lewin’s change theory. Research suggests that various institutional factors fundamentally influence companies to adopt downsizing strategies which consequently produce negative

impacts on employees of organisations. Institutional theory posits that institutional factors have a strong bearing in the making of the decision to downsize or not, even when the results are negative to the workforce. The three institutional forces are constraining, cloning (imitation) and learning. This theory argues that managers accept the process of downsizing as legitimate and ethical. Institutional theory of downsizing concludes that downsizing is steered by economic, institutional, and social factors. Institutional factors, however, change and are dynamic. It is important to examine the change theories as well since restructuring through downsizing is a form of change. Organisations pass through various stages in their development, growth, and revival. Change is very inevitable given the various economic and technological changes that the world goes through. SOEs are impacted by change. Change influences the way they operate locally and globally. Change takes place in organisations like SOEs due to policy changes from their shareholder ministries or their policy ministries and their boards. Change theories have influenced this study and therefore an examination of relevant theories is key. Lewin propounded the change theory which is discussed in this research. Kurt Lewin developed the model like changing a block of ice from one condition to the other and it involves three stages, that is why it is sometimes called the stage theory (Wu, 2013). The model focuses on three stages namely, unfreezing (of the past within the companies), moving by new information, attitudes and theories and finally refreezing (through a process of reinforcement, confirmation, and support for change) (Wu,2013). The thinking of this theory at stage one, (which they termed as the unfreezing stage) is critical. The theory of Lewin suggests that organisations are resistant to change and therefore, it is important to prepare everyone in the organisation. It is important to educate everyone that necessary change is on the way and that it is important for purposes of keeping the organisation alive and productive.

The theory argues that by preparing employees, the organisation will have ensured that organisational plans will not fail due to resistance which in most cases is rife, owing to immense trade union pressure. Trade union resistance to the new changes enfeebles the whole exercise of organisational downsizing. At stage one, it is important for organisations to ensure that the information on the intended changes is well-communicated through various channels of the organisation. Most downsizing initiatives fail at this stage because their processes are reactive than proactive. Normally a crisis is prevented by ensuring that what is stipulated in this stage is adhered to. Stage two of the theory is equally important. At this stage once employees understand the intended changes then they begin to seek to be motivated and adopt changes that are likely to benefit them. At this stage it is important to note that when employees grasp what is happening around them organisationally, then it is much easier to accept the process of downsizing as legitimate and legal. The stage theory concedes that organisations must endeavour to create a solid understanding of their intentions to employees. However, it is important to communicate the intended changes to the employees so that they understand organisational plans and buy into the initiative. The last stage is called refreezing (Wu,2013). At this stage once employees have embraced the new change and formed new attitudes to the new policies then the organisation becomes ready to refreeze. Employees can now adopt new job descriptions and new functions accordingly. The two theories are applicable to this study because, literature has shown that from an institutional downsizing theory perspective that SOEs are motivated to restructure through downsizing because of institutional forces. Based on literature review the direct causality of most public enterprises downsizing lies in institutional factors thus its applicability to this study. Restructuring through downsizing is a form of change. Thus, its applicability to studies

in SOE downsizing studies and research. South African SOEs undergo massive changes during restructuring through downsizing. To comprehend this organisational change, its critical to utilize change theories as instruments. Thus, given the foregoing, it can be deduced that institutional downsizing theory and the change theory by Kurt Lewin are appropriately applicable to this study.

1.10 Research methodology

This section deals with the research methodology and techniques employed in the research. Research methods encompasses techniques and method which have been used for undertaking research or an investigation (Mishra and Alock ,2017). It focuses on the research design, target beneficiaries, area and sampling procedure that will be used in acquiring data and information. Furthermore, it details the techniques and procedures of data analysis in this project. This section also depicts the research principles that will be considered as part of the ethical evaluation standards. In sum, this section will focus on the research design, sampling, data collection strategy, ethical considerations, and the chapter arrangements of this thesis.

1.10.1 Research design

The research will adopt an exploratory design. A case study has been adopted by this research for purposes of extracting in-depth and critical analysis of the chosen case (Yin ,2018). Case studies can be used in exploratory studies (Amin 2005:201). A case study is most often utilized to determine if an event (or intervention) has an effect, and the dependent variable is measured after the event (post-test) and conclusions are

drawn. A case study approach is adopted in this study pivotally because of the need to delve into a realistic problem that SOEs face after implementing restructuring policy programme. Case studies are superior in that they help to extract comprehensive data and profound information about the case (Tight 2017:43. Case studies are the most efficient and effective avenues of obtaining information because of the research focus specificity and the particularistic nature of the research environment. This research is a case study of Transnet Freight Rail also known as Spoornet which an SOE in South Africa. A case study is an empirical method which investigates phenomenon in greater detail within its real-world environment or context. (Yin,2018:14). Cases studies are critical in helping to understand and correctly translate the dynamics of the research problem to the field of study (Yazan 2015:139). Case study allows a specific focus on a case and to retain a holistic and real-world view (Yin 2018:5). A case study depends on multiple sources of evidence with data needing to converge in a triangulation fashion (Yin ,2018:15).

1.10.2 Document sources and sampling

1.10.2.1 Document sources

There are different types of documents ranging from official documents which are maintained on a continuous basis by large organisations such as government institutions and private documents (Olutola, 2014). Other sources, include, mass media, radio, cinema, television and print media (Olutola, 2014). Document analysis can be used as a sole source or complementary source of data to respond to research

questions (Kayesa & Shung – King, 2020). Sources for documents largely depend on the research question under investigation. There are many large document repositories in South Africa namely, National Archives and many national libraries. For most education research studies, the sources are more targeted with the data sources tied to the context of the topic under research (Gross, 2018). There are manifold examples of sources of primary types of data. These include company files personal records, communications, school records, local government, provincial and national government records state-owned enterprises records and newspaper archives (Gross, 2018). Secondary types of data include public and university library collections and periodical databases, websites, and clearing houses (Gross, 2018). It is however important to narrow down the list of potential document sources through a preliminary search (Gross, 2018). This can be especially helpful if the potential sources include databases or clearing houses with large quantities of potential documents to peruse (Gross, 2018). Thus, doing a preliminary search of the potential sources aids in identifying additional keywords to add to the search list, clarifying and defining inclusionary and exclusionary criteria and determining, which document sources yield the greatest quantity and quality of the documents related to the subject under study (Gross, 2018). When undertaking preliminary search, the research conducts a simple cursory review of the results returned, investigating closely enough to see patterns and determine quality and quantity of relevant results (Gross, 2018). This process helps the researcher to identify the most appropriate and fruitful sources to use for sampling, (Gross, 2018). The role of documentary evidence is largely inconspicuous in most areas of qualitative research (Wood, Sebar & Vecchio, 2020). Documents tend to enter and to leave the field in relative silence, often unobtrusively complementary to other methods in case in case study research (Olson, 2010). The documentary

realities of social settings and the rich potential of documents as a way of understanding social practices are often neglected in qualitative accounts of such environments (Wood, Sebar & Vacchio, 2020).

1.10.2.2 Document sampling

Document sampling must be approached in a systematic way and thus, keeping a record of decisions made regarding sources searched, methods utilized, keywords employed, and results returned can assist in ensuring a systematic approach and provide an audit trail for use by other researchers (Gross ,2018). Additionally considering the potentially huge selection of available documents related to the research question and creating a set of clearly defined inclusionary and exclusionary criteria focus the selection of documents and ensure authenticity and representativeness of those identified for the sample (Gross, 2018).

1.10.3 Data collection strategy

During this research, the key research questions will be answered through the instrumentality of a combination of both secondary and primary data. The research will employ primarily, document analysis. All the tools will be developed with guidance from Yin's (2018) principles of designing tools for case studies. There are many sources where data can be collected in a case study. These include records, archives, and numerous other sources (Yin, 2018:111).

1.10.3.1 Document analysis

Document analysis will involve carefully studying recorded or published information accessed through the internet or libraries or archives from the different targeted sample. The variety of documents will include newspapers, articles, speeches, reports, diaries, emails, letters, calendars, notes, agendas, administrative documents, formal studies news clippings and parliamentary reports (Yin, 2018:115). The review will be done with the help of a documentary review checklist to capture all the relevant key research questions. Document study is less costly and less time consuming (Tight 2019). Document study has its own pitfalls. Some documents are classified, have restricted access and others are less valuable. SOEs are public companies therefore most of its documents are public hence easy access. Parliamentary reports, commission reports and task team reports are all valuable towards enriching this research on SOEs. Annual reports are also critical and key towards attainment of information. Trade union reports, from the two major unions, South African transport allied workers union, (SATAWU)and United transport allied trade union (UTATU) and their federations reports are also useful. The purpose of literature study is the identification of the most important variables and to document the most important findings based on prior research (Al-Hammali, 2017). Document analysis is a form of research in which data collected and processed by one investigator, are re-analysed (Babbie 2016: 281). It in essence is implied that; documents are made up of data published for manifold objectives. Secondary data is usually collected by another person for another primary objective, there is a need to analyse it and yield data that could be used in this study (Johnson, 2014:619). There are few aspects of our lives

that are not recorded in some form, from official statements of birth, death and milestones in between; government and organisational directives, policy, legislation, maps, and minutes; personal correspondence and photographs; marketing material; the ephemera of bus tickets and sale receipts; and the narratives generated by media, both printed and via electronic channels such as Facebook that bridge both the personal and public spheres (Wood, Sebar and Vecchio, 2020). Such documents, and myriad other examples, are what Olson (2020) calls “the by-products of human activity” (p 318) – written, visual, and physical material that reveals the complexities of our lives as individuals and societies (Wood, Sebar & Vecchio, 2020). They provide evidence of the way in which we represent and organise ourselves; they reveal how we strive to make sense of our past and inform our future (Wood, Sebar & Vecchio, 2020).

1.10.4 Data analysis strategy

Qualitative data analysis is a process which encompasses the preparation of data for analysis at varying levels to obtain a profound understanding and thereby forming an accurate interpretation of the information or data available (Cresswell 2009). Key information notes, from various sources will be transcribed to generate thematic narratives in line with the research questions of the study. The transcripts will be edited and harmonized for completeness, accuracy, readability, and meaningfulness by the researcher. Data will then be transferred to MS word for processing and analysis with the help of content analysis framework. The key research questions will guide the content analysis process. Thematic analysis will be instrumental in examining the data.

Thematic analysis involves discerning and identifying patterns and thematic frames imbued in qualitative data (Maguire and Delahunt 2017). This research will identify and capture various themes, which address the aims and objectives of the study. In so far as this research seeks to understand certain critical meanings relating to the main research questions and objectives, thematic analysis is relevant and important. Thematic analysis has its own short comings as well. Although it is very flexible data analysis technique it may result in lack of coherence when developing various thematic frames derived from the research data (Nowell et al,2017). Thus, thematic analysis is essential when analysing data from various interviews undertaken by the researcher.

Since this research uses data from many documents relating to the main research objectives and aims, content analysis will be used. Content analysis is utilized in cases whereby the content of the message constitutes the basis for soliciting inferences and conclusions about the content. Certain steps are usually followed in pursuance of data analysis through document analysis. These include the following:

1. Document sampling (sampling the documents to choose texts with relevant content)
2. Text unitization (treatment of texts as separate units of analysis)
3. Codes application (coding of every unitized text segment)
4. Analysis of coded data (determine the frequency of thematic frame occurrence, contexts, and relation to others).

Content analysis of documents if less flexible because the information has already been written and cannot be changed. However, its significant to note that the content

analysis adds to the new knowledge after engaging with the document in terms of findings from textual data. Thus, content analysis and thematic analysis will help the researcher to get more in-depth findings and information on the downsizing process and its consequent impact on the middle management employees.

1.10.5 Data analysis

Some scholars argue that in qualitative research data analysis is a process that concurrently takes place with data collection (Saldana, 2016). The analysis process of qualitative data is a rigorous and stringent process which when effectively and efficiently implemented always imparts cradle meaning to the research results. For the purposes of this study, existing reports will initially be analysed to discern the existing trajectory in the restructuring of State-Owned Enterprises (SOE)s and implications to middle management employees in South Africa. The availability of secondary data will influence the way data will be analysed in research (Brannen & O' Connel, 2017). Analysis of documents may utilize numerous ontological and epistemological approaches, including, content analysis, semiotics, discourse analysis, or grounded theory (Gross, 2018). The approach used and the sample taken by the researcher should be reflective of the purpose of the study and the research question (Gross, 2018). Irrespective of the approach employed with the analysis, there are some established steps in the qualitative analysis process: coding and categorizing interpretation and thematic analysis (Gross, 2018). Analysis of data derived from documents is about the search for explanation and understanding during which concepts and theories are likely to be advanced, considered and developed (Kayesa & Shung – King, 2020). Thus, data collected from documents must be handled

scientifically and this means the application of specified and rigorous processes that are systematically followed to ensure authenticity, representatives and credibility of data and the ultimate conclusions (Kayesa & Shung – King, 2020). These systematic processes also involve the identification of irregularities and patterns while collecting data and paying attention to which data to include and exclude through data condensation, to condense large volumes of information to ensure that every piece of data is reduced without losing its meaning as this would affect how the data is later displayed (Kayesa & Shung-King, 2020).

In public policy analysis at local conditions, documentary analysis, case study designs and intensive research approaches are important (Brannen and O' Connell, 2017). The research questions framing influences the method chosen that in turn influences the choice of analytic method. By so doing, the researcher can triangulate the true situation by examining where different data interest is (Silverman, 2010). The data analysis will be carried out as describe below:

1.10.5.1 Open coding

Data analysis is an iterative process whose result is bringing order to the huge amounts of data gathered from the field (De Vos et al, 2011). The process commences with browsing through all transcripts, followed by a continuous and repeated cautious reading of each transcript (Lofgren, 2013). The following step in the process of analysis is open coding. This is an activity whereby each idea noted and is given a

name that represents a phenomenon (Bryman, 2016; and De Vos et al, 2011). The process of open coding in this study is based on the premise that words or phrases that are repeated in numerous places can be conceived as overtly important by the investigator. The investigator will read about something similar in literature, it is a reminder to the investigator of a theory or a concept, and that it is perceived as relevant (Lofgren, 2013). The ability to remain objective during the process of interpreting data is both central, key, and integral.

1.10.5.2 Axial coding

Axial coding is another step towards trimming the volume of created by merging those that are related. The process is almost like open coding in that the investigator reads the codes created with the intention of merging those that are related and dropping those that were less relevant. During this process the investigator will also create new codes to impart meaning to the data. It is important to note that with axial coding, the work looks more abstract than the initial process (Lofgren, 2013). The investigator will create some themes or categories.

1.10.5.3 Selective coding

Selective coding will be a process whereby all themes will be further divided into concise themes of a selected number that includes the final presentation. This normally involves ‘winnowing the data, and reducing it to a small, manageable set of themes to write into the final narrative’ (De Vos, et al 2011:338). During selective coding, one gets to decide the order of codes, usually, the process of coding brings a

hierarchy (Lofgren,2013). The analysis process in this study will result in the establishment of themes that will make up the final write up of the research report.

1.11 Quality control

Quality control in all research activities is of critical importance and key to the credibility and recognition of the research results. Without a plan for quality control and supervision, itself, then, the validity and objectivity of the results is thrown in doubt. Qualitative studies are rooted in the constructivism paradigm; therefore, quality control concepts like reliability, validity, and generalizability from quantitative studies have been replaced by trustworthiness, credibility, authenticity, transferability, dependability, and conformability as well as rigor (Creswell, 2013; Tracy, 2013; Bryman, 2016, and Trotter, 2012). There is a need to convince the reader of qualitative studies that findings are of excellent quality despite the naturalistic nature of qualitative studies (Creswell, 2013). Quality control starts with a conceptually compelling, interesting, measurable, and timely study (Tracy,2010).

This research will make use of primary sources of data and secondary ones including, published reports of high quality when it comes to scientific reliability and validity (Bryman, 2016). In this study, quality will be maintained using multiple publication which will provide data that will cover most variables involved.

It is important that from the onset of data collection is also supposed to follow appropriate ethical steps that add to the quality of data (Tracy, 2010). The process of

analysis which entails repeated coding at different levels will be carried out several times. The researcher will utilize peer review where a peer familiar with restructuring reform (RR), help with analysis and comparison of codes. New ideas that will emerge will be factored into the final report. This process will help to further eliminate researcher bias. The use of reports from the department of Public Enterprises and others helped triangulate findings (Creswell, 2013, Cypress, 2017, Bryman, 2016; Tracy, 2010). In addition to meeting quality control in data collection and analysis, the outcomes of the studies and their findings will also reflect a symbiosis with research questions (Tracy, 2017). Records of data collection are attached in the annexure section of the dissertation for further perusal.

1.12 Reliability and validity

Research validity pertains to the accuracy of the research results (Creswell 2014) while reliability implies the replicability of the research findings. It is very critical for the researcher to achieve or attain the goals that he sets out from the inception of the research. Thus, the measurement of the attainment of what the researcher sets out to accomplish is imperative according to Babbie (2004: 391) and the relevance of the research instrument to the participant individuals in the research endeavours. A relevant and correct research instrument is significant in guarantying the attainment of valid research findings. Reliability and validity are central issues in all scientific measurement. Reliability denotes that the information supplied by the indicators does not differ because of the characteristic of the indicator, instrument, or measurement device .Reliability is depicted as “the extent to which the observable (or empirical) measures that represent a theoretical concept are accurate and stable when used for the concept in several studies, while, validity is concerned with just how accurately the

observable measures actually represent the concept in question", (Bless, 1995: 129). This refers to extend of consistency and the possibility of repeatability of the measurement of a variable. Reliability fundamentally locates more emphasis on data collection vehicle the outputs. Results will be evaluated to ensure reliability. Multiple data sources are relied on in this study to ensure reliability of research data.

1.13 Ethical considerations

Social sciences are unique studies and as such, attract monumental attention broadly from all segments of society. Thus, it is imperative that any research carried out in social sciences or humanities should be primarily guided by fundamental ethical considerations that relate to responsible research in human sciences. (Lancaster, 2005:31). The research process followed the North-West University (NWU) ethical standards. The study was be pursued after clearance and approval has been granted by the Ethics and Research Committee (ERC) of the faculty of Humanities at North-West University. Permission was sought from Spoornet's Transnet Freight Rail (TFR) and was granted. The study was undertaken with high level of integrity and honesty by the researcher. Only findings which are usable, relevant and enhance learning were documented.

Throughout the study, the researcher monitored and supervised the process to ensure that no harm associated directly or indirectly to the research exercise occurs. In terms of data storage, the study data sets were placed in encrypted digital form and stored on a cloud platform. The platform is protected, accessible online only by the researcher and supervisor with a secure login account and password. This study is considered low risk. Data from the research will be stored by the promoter for at least five years.

Finally, the researcher commits to giving an accurate account of the research undertaken. In social sciences morality of the research is important. Research must be carried out in an ethical manner. Thus, ethics is associated with morality in social science research (Babbie, 2016).

1.14 Chapter classification

1.14.1 Chapter 1: Orientation and background

This chapter discusses the background, statement of the problem, research questions, objectives, significance, scope of the study, limitations, and delimitations. The chapter also details the research process that was followed for the study. It lays the introduction and foundation for this work.

1.14.2 Chapter 2: Literature review

The second chapter is a review of relevant literature. This section focuses on detailed exploration of the literature on SOEs restructuring through downsizing. This chapter also details the trade union response to the restructuring through downsizing of SOEs and railways specifically, including the survivor syndrome for the remaining employees and middle management employees.

1.14.3 Chapter 3: Theoretical and conceptual framework

Principal theories of the study are examined in this section. Key concepts guiding the study are examined. Definitions, characteristics, methods, and forms of downsizing are also discussed in this chapter.

1.14.4 Chapter 4: Research methodology and design

This chapter discusses the research methodology, research design, sampling, data collection and analysis, and delimitation of the study.

1.14.5 Chapter 5: Research findings

This chapter presents the research findings. The information obtained from the research on downsizing at TFR is be presented in this chapter. Data generated from the empirical research and document study is also presented.

1.14.6 Chapter 6: Analysis of research findings and discussion

Analysis of results and discussion of findings in Chapter 5 will be presented in this chapter. The results will be presented together with a detailed analysis and interpretation. The views from the respondents will be analysed in this chapter.

1.14.7 Chapter 7: Conclusions and recommendations

Lastly, this is the concluding chapter of this research. It will impart a detailed summary of the study. In other words, the thesis will be summarized with emphasis on results obtained, contribution made by results, recommendations and suggestions for further research or the way forward.

CHAPTER 2: THEORETICAL AND CONCEPTUAL CONTEXT: STATE OWNED ENTERPRISES RESTRUCTURING AND DOWNSIZING

2.1 SOEs and state ownership

2.1.1 Nature and scope of SOEs

SOEs are governed by a policy of a country. This type of a policy provides public enterprises, the market, and citizens with a clear perspective about the role of the state through the DPE, as the main shareholder and owner (OECD, 2018). In some countries SOEs report to two or more ministries depending on their main function, for instance, Transnet in South Africa reports to the ministry of public enterprises (the shareholder ministry) and to the ministry of transport (the policy ministry). Most OECD countries follow the same trajectory. The rationale for creation of a particular public enterprise is clearly outlined in the SOE policy. When looking at the origins of SOEs it is important to note that SOEs are not a recent phenomenon as in developing countries the origins can be traced back to colonialism. But SOEs were long in existence in developing countries (before colonialism). They were created for the purpose of economic development (Turner & Hulme, 1997). According to a 2013 report done by The Organisation for Economic Co-operation and Development (OECD,2014) SOEs are vital actors in the development of infrastructure. Turner and Hulme (1997) state that SOEs in developing countries were created by their colonial masters for the main purpose to speeding up economic growth. For example, the United Kingdom established SOEs in their colonies to get resources from their colonies back home so as to advance their own economy. This entailed the building of infrastructure in

colonies. By 1840 about 80% of railway tracks across the world were private owned, come around 1910 the states owned just under 60% of most of the large railway track network that were in operation (Stern, 2016). SOEs are state-owned companies, state-owned entities, or SOEs. They all are government owned business entities or publicly owned companies created by government to undertake commercial actions on the behalf of government (Shabalala, 2011).

A non-commercial SOE is a company created and solely owned by government to carry out functions on behalf of the government with the main aim of providing goods and services to its citizens (OECD, 2005). In most cases these are agencies of government created to pursue objectives that are not financially driven.

Various scholars suggest that not all SOEs are the same. They are configured differently; hence the expectations are different. It depends on:

- Its formation.
- The Mission and Vision.
- Status
- Shareholdings through state pension funds; and
- Restructuring entity and development lenders and asset managers (Kowalsket al., 2013).

According to Bantug (2013) SOEs exist in two main categories, depending largely on the activities they offer and engage in. Category one SOEs deliver the essential public infrastructural services, such as sanitation, water, postal, power, telecommunication, airports, and broadcasting (Bantug, 2013). Category one SOEs can either engage in

commercial or non-commercial activities. With the non-commercial activities being basic services that are rendered to the population or services that can cut down cost to sectors of the public (Bantug, 2013).

Category two SOEs consist of SOEs that are purely commercial. For example, entities like banks, air transport, real estate development, shipping, and retailing. Both these categories of SOEs are key actors in the economy with the main objectives of generating profits (Bantug, 2013). It is also crucial to note that even though commercial SOEs are focused on economic development, they are theoretically tasked at bettering service delivery (OECD, 2015).

Even after most of the colonized countries gained independence, the number of SOEs continued to increase mainly because the states needed to develop their infrastructures. When India gained its independence in 1947, their SOEs were more than that of Britain, its colonial master (Gang, 2013).

In Belgium SOE refers to autonomous public companies which operate under the aegis of the ministry of public enterprise (OECD, 2018). Globally governments have various objectives for pursuing state enterprise ownership policy. The critical objectives governments pursue in the creation of SOEs are, inter alia, as follows:

- Supporting national economic and strategic interests (OECD, 2015a).
- Ensuring continued national ownership of enterprises (OECD, 2015a).

- Supplying specific public goods or services (after deeming the market cannot supply the same goods or services) (OECD, 2015a).
- Performing business operations in a natural monopoly situation; and
- Creating or maintaining a state-owned monopoly (or oligopoly) where market regulations are deemed infeasible of inefficient (OECD, 2015a).

In OECD countries the main objectives of creation of SOEs are depicted in public policies of those countries. It is important to mention that such policies are complemented by enacting relevant pieces of legislation, regulations, and rules (OECD, 2018). SOEs can be established sector by sector and are categorised as such, for instance, in Portugal sectorial ministries establish sectorial policies which detail their specific mandates operations and the type of services they are mandated to produce (OECD, 2018). In Chile, Finland, Lithuania, Norway, Portugal, and Switzerland SOEs are categorised in terms of their objectives which are inherently commercial or purely strategic or otherwise generally public policy objectives or mandates of SOEs are subject to reviews periodically. In other words, government enterprise ownership rationales are re-evaluated from time to time to ensure their economic, commercial or socio- political relevance in the light of global socio-economic and climatological changes. Sweden, Finland, Norway, and Germany review their state ownership of enterprise rationale on a need's basis. Netherlands, Portugal, and Switzerland do the same (OECD, 2018). In Turkey the mandate or objectives of SOEs are re-examined when preparing broader national socio-economic development goals, investment initiatives and financial planning campaigns. Thus, from a global perspective, the rationales of creating public enterprise differ from one country to the other. When SOEs endure poor performance, most governments

recommend restructuring through downsizing to recover costs and to jettison SOEs financially depending on government treasury resources. SOEs differ from private enterprises or private companies with regards to corporate governance, risk management and resource access (Estein et al., 2016). SOEs are hybrid enterprises in the sense that government owns majority shares and controls the enterprise activities (Bruton et al., 2015). Provincial governments, municipal local government own shares in local public enterprises, just like most central governments exercise majority ownership of state enterprises in particular domains of services which the government consider of strategic, security or national interest. Share ownership of states or governments in public enterprises differs from one country to another, from one provincial or regional or local government to another (Cui & Jiang, 2012; Musacchio & Lazzarini, 2012). Public enterprise exists because markets fail to deliver various satisfactorily and fairly in their various environments (Peng et al., 2016). SOEs are companies that are wholly owned by governments restructure the enterprise to ameliorate operating performance but still retaining majority shareholding and controlling power. SOEs are enterprises owned by the state and hence according to OECD framework, the state has the right to review or assess the operational performance of its enterprises (OECD, 2011).

There are so many factors which motivate governments to create SOEs which are sometimes called public enterprises or state-owned companies. These factors are listed in table 2.1 below:

Table 2.1: Possible reasons for state-owned enterprises

Reasons for an SOE	Brief explanation	examples
Natural monopoly	State ownership of a monopoly, that arises due to the structure of a sector, to prevent negative impact on the economy.	Airport infrastructure
Market failure	The state-owned enterprise engages in long-term investment, or provides important goods or services, that would not be done if left to 'market forces'	Development financing
Externalities	State ownership of enterprises that have greater benefits to society than accrue to themselves, so that this produce more than would under private ownership.	Research and development
Social equity	State ownership ensures universal access to critical services that would otherwise not be provided by private operations (typically due to low returns).	Postal services
Security of supply	State ownership ensures the supply of nationally critical goods or services.	Water storage and distribution infrastructure
National security	State ownership of enterprise whose activities are important for national security.	Weapons production
Competitive advantage	"Leveraging the country's resources" where this is not adequately done by the private sector	Minerals beneficiation
Investment returns	A by-product of development financing or/and the retention of profitable SOEs as a means of socializing the gains growth in Key sectors	Any profitable government enterprise

Source: PBO and Presidential Review Committee Report (Presidential Review Committee on state Entities, 2012, pp.51-54)

SOEs in South Africa function within a wide policy framework, that is in line with and that complements government's intention of strategic, social, economic, and developmental objectives. SOEs must be aligned to the following:

- South African circumstances and strategic priorities.
- Political imperatives.

- Social impact (job creation, critical skill development, pricing, equality and access of services, facilitation, and economic empowerment).
- Economic impact (formation of new industries, facilitating value creation by Government, and effective utilization of state resource in driving economic growth) and
- Increasingly, environmental imperative that have gained momentum through the Kyoto protocol. (Bronstein & Olivier, 2011).

Some of these SOEs are critical in local economic development, others are important to propel provincial economic development (PED) and others are more inclined towards a national development approach. SOEs generate revenues through trading, regional and local government level. Public enterprises are the other name used to refer to SOEs. SOEs are referred to as SOCs (State Owned Companies), state assets, state corporations or government corporations (Madekutsikwa, 2015). State owned ownership and intervention in the economy is one of the oldest economic practises in public policy. Historically, governments, whether monarchical or republics, intervened in the economy through ownership or majority participation in state assets. This practise dates back the ancient Roman Republican and ancient Greece times (Megginson & Netter, 2001). Land, forests and minerals belonged to the state. The operations and management of these resources was given to the companies and recognised individually (Megginson & Netter, 2001). Other modern times factors, such as the world great depression, the World War II, the infrastructure annihilation and the need for global reconstruction and the decolonization process, are all contributory to the governments competitive zeal to participate in the economy through state ownership (World Bank, 1995). Post war reconstruction initiatives in Europe and Japan

influenced nationalisation programmes in transport, energy, banking, utilities and strategic or security sectors of the economic (OECD, 2005). The Thatcher regime owned and played a greater role in roads, rail, sea, airlines, electricity, communication, and postal services (Megginson & Netter, 2001). Pursuance of such a brazen nationalisation policy by the Thatcher government sparked state ownership and control policies in the rest of the world, including Europe, Africa, Asia, and Latin America (Madekutsikwa, 2015). Most settler governments established SOEs for purposes of colonial extraction of economic resources for repatriating them to their mother countries and to support the colonial settler regimes once they broke away from their European colonial countries of origin. In Southern Africa, during the colonial apartheid rule, settler governments pursued state ownership policies for colonial strategic reasons particularly security reasons.

In the Southern Africa region commerce revolves around the natural resources prevalent in those countries (Balbuena, 2014). The reasons for pursuing state ownership range from socio-political to economic ones. State ownerships are implemented to eschew private monopolistic tendencies which are detrimental to the general consumer. Thus, governments intervene through state ownership to counter monopolistic powers in the economy (Kowalskim et al., 2013). State ownership may be an efficient panacea in preventing monopolistic market distortions that private monopolies may create (Kowalski et al., 2013). Public enterprises are established for development purposes particularly in economically necessary sectors of the economy (Kowalski et al., 2013). Sometimes the private sector has no interest in doing business in particular industries therefore government engages itself in developing such industries through state ownership (Bala, 2015). Colonialism and apartheid created

manifold economic imbalances between the settlers and the colonised populations. Colonial public enterprises focused on furtherance of the colonial settler commercial agenda which had very little concern on the socio-economic development of the colonised. Thus, in developing countries SOEs are created to address colonial and apartheid imbalances, creating employment to majorities of the ex-colonised populations, and depleting monopolistic tendencies in the national economy (Bala, 2015). The commanding rationale of state ownership stipulates that state control is critical in key zones of the economy (Bala, 2015). The commanding heights argument further believes that state control and state ownership is essential as a pre-requisite to balanced economic growth and development (Bala, 2015). SOEs are used as instruments of correcting market failures that may be pernicious to the country (Balbuena, 2014).

Debates on the implications of privatization and restructuring initiatives globally cannot be complete and sensible without an understanding on nationalization because most countries privatize and restructure their SOEs because of their belief in the failure of nationalized industries of government which are called SOEs, or PEs. Governments tend to dismiss the very reasons why they created SOEs when they want to embark on privatization, so it is critical to know why. Privatization is the opposite of nationalization. It is important to understand why these industries were under state-ownership and now governments have decided to jettison them and sell them to the private sector. Governments became concerned with the levels of inefficiencies, lack of productivity, lack of competitiveness, increased levels of indebtedness and generally feeble operational performance of these SOEs. Reasons for creating public enterprises are summarised as follows:

i. Public enterprises are set up to supply essential product or service if the danger exists that the product or service can be monopolised to the detriment of the public interest. Examples are post and telecommunications, railways, air transport, large irrigation schemes (Makoni,2014).

ii. Where private enterprise is unable to satisfy the demand for services because the users of the services cannot pay for the services. the state accepts responsibility for such services, either in full or in conjunction / competition with private undertakings. Examples are:

- hospitals – public and private hospitals (Atud, 2011).
- housing - the state provides for the building of houses mainly for the less prosperous sections of the population (Atud, 2011).
- Post Office Savings Bank – functions in competition with the banks and the building societies; and
- Land and Agricultural Bank of SA – provides loans to farmers in competition with commercial banks (Makoni, 2014).

iii. In cases where the expected returns on invested capital fail to attract entrepreneurs the state stepped in to undertake production of essential infrastructural goods and services: for example, the South African Iron and Steel Corporation (ISCOR) which attracted little public interest in its shares when it was founded in 1928 (Makoni, 2014). However, ISCOR was successfully privatised in 1989 with an enthusiastic interest from the public to obtain shares after the enterprise proved itself as a viable industry (Atud, 2011).

iv. State ownership was necessary to prevent monopolistic ventures which could be harmful to the public, such as provision of electricity and gas as well as the reticulation of water (Fourie, 2014).

v. Military considerations resulted in public enterprises such as the Armaments Corporation of South Africa and its subsidiaries (Fourie, 2014).

vi. Strategic considerations led to the founding of enterprises such as Sasol.

vii. A desire to be self-sufficient led to the founding of public enterprises such as the Government Printing Works, the Department of Public Works, and Land Affairs. It must be stressed, however, that much of the work previously done by the Department of Public Works and Land Affairs are now contracted out to the private sector (Fourie, 2014).

Many discussions have been done on the need for privatisation in South Africa. The Carlton Conference held in 1979, the Good Hope Conference held in 1981 in Cape Township, the Pretoria Conference held in 1986 and Fourth Conference held in Pretoria in November 1987, where the Margo Commission's Report was discussed.

In order to come to grips with the concept of restructuring, it is of primary significance to abysmally explore its origins, which lie in the failure and acute criticism of nationalisation in a plethora of countries globally (Fourie, 2014). Nationalization originates from the 1970s with the expropriation of foreign owned property and the nationalization of utilities, oil, transportation, and healthcare sectors (Coetzee, 2010). Nationalization was a move by governments to impose sovereignty over once

privately-owned assets. Nationalization promoted national control of essential resources for increasing government revenues which are used for socio-economic benefits nationally. Nationalization means conversion of privately-owned corporations, industries, and resources by government with or without compensation (Melek, 2018). Nationalization occurs when a property right that once vested with private sector must undergo a change of ownership over to public such that the property rightfully vests with the public (Melk, 2018). Industries such as mining, energy, water, healthcare, education, transportation, police, and military defence are targets of nationalization. Nationalization is in most cases is a social justice project especially in former colonies of Africa and Latin America and South Africa. Globally, nationalization takes place for various reasons based on the structure of their economies and government policy. Table 2.2 below shows international nationalization cases.

Table 2.2: International nationalization cases

Current and since 2000	Argentina (2009) Renationalization of airline. Portugal (2008) banks. Malaysia – talk only. Bolivia (2006) national gas. USA (2001) airport security after September 11	Channel Islands (2003) airlines. New Zealand (2001, 2993, 2004, 2008) railways, air carrier, etc.	Germany (2008) Renationalization of the federal print office. The Netherlands (banks) Namibia (partnership in mining and recent talks to nationalize future mineral discoveries)	Ireland (2009) banks, (2010) other companies. Zimbabwe (2004) Iceland (2008) renationalization of commercial banks Sri Lanka (2009) Seylan Bank	Latvia (2008) banks UK (2009) railways and bank-mortgages only Venezuela (2007, 2008, 2009, 2010) oil, cement, steel, rice production, six supermarkets, etc.
1990s	Russia (1998) Gazprom	UK – Docklands light railway			
1980s	France (1982) bank, etc, most reprivatized in 1986	Israel (1983) banks Norway	Mexico (1982) banks Spain (1983) Spanish Rumasa – later privatized	UK – Telekom created	USA – lots of failed savings loans India – more banks

1970s	Canada – Polash Corporation UK – Rolls-Royce, gas, national enterprise board, Leyland motors	Greece (1974) airlines – later privatized. Botswana – mines state-private partnership	India (1973) coal and oil companies. (1972) 106 insurance companies Malta (1974) banks Sri Lanka (1972) mines, tea and rubber plantations, (1975) Stirling plantation	Pakistan (1972) all major industries Chile (1972) copper mines	Portugal (1974) banks, insurance, petroleum, and some industries
1960s	India (1969) 14 banks Sri Lanka - oil	UK (1960s) busses, water, British petroleum, post office	Zambia (1968) coal and some. Other firms		
1900-1959	Argentina (1918) universities Iran (1953) oil Canada (1918) railways. (1944) Hydro-Quebec, Soviet Union (1981) all manufacturing, rail, banks, etc. Australia (1949) attempted to nationalize banks. Spain (1941) railways	Cuba (1959) Castro's government gradually nationalized all important industry. Sri Lanka (1958) bus transport USA (1900s) railways	Egypt (1956) Suez-Canal Ireland (1940s) railways Poland (1946) all enterprise with more than 50 employees. Czechoslovakia (1945 – 48) all manufacturing. Mexico (1938) petroleum Romania (1948) all private companies, (1950) confiscation of private houses, land etc.	France (1938, 1945) Renault, electricity, gas, etc. South Korea (1945) railways Sweden (1939 – 48) most positive railway companies, (1957) LKAB mining company nationalized	India (1949) reserve bank, (1953) airlines, (1955) Imperial bank UK (1912) inland telephone, (1916) liquor trade, (1926) electricity, (1927) British broadcasting (1933) London transport, (1938) coal, (1939) most companies under government control, (1940s) inland rail, electricity, gas (1951) iron and steel
1860-1900	Israel (1905) railways Japan (1906) railways	UK (1868) telegraphs, (1875) Suez Canal	USA (1862) monetary system, (1863) banking system		

Source: Free Market Foundation, 2010)

Many countries have advocated for nationalization for various reasons, depending on their socio-political and economic and financial realities. The following are some of the factors advanced for implementing nationalization programmes in the economy.

1. When nationalization takes place, profits are transferred from private hands, where only a few benefits, to the country, where many more benefit (FMF, 2010).
2. Nationalization often leads to regional economic development, not just development of the country where the nationalization takes place.
3. Through nationalization, private monopolies are prevented if they do not yet exist, or they are broken up if they exist. This protects consumers from restricted quantities and high prices. (FMF, 2010).
4. The aim of nationalized industries is social welfare rather than the maximization of profits. A wider cross-section of persons benefits when the aim is social welfare (FMF, 2010).
5. Economics of scale (that is benefits or advantages of large-scale production) result from nationalization. These advantages lead to lower average costs of production for the industry. Lower costs can be and often are transferred to consumers in the form of lower prices (FMF, 2010).
6. Nationalization will result in improved quality and greater efficiency (FMF, 2010).
7. Increased employment and greater job security are often the result of nationalization. It will result in improved working conditions (FMF, 2010).
8. Nationalization standardizes production and therefore encourages the use of up-to-date technology which increases output (FMF, 2010).

9. Industries that are falling are revived through nationalization. Thus, unemployment that would result from closure of these industries is prevented (FMF, 2010).

Nationalisation programmes which ultimately culminated in public ownership of public enterprises were propelled by various socio-political, socio-economic, and ideological factors (Makoni, 2014). It is important to note that government intervention either by ownership, operation or regulation of industries and services dates back more than 300 years ago. The origins of nationalised enterprise date back to the times of the Egyptian Pharaohs and the times of the Inca Empire of South America (Limpitlaw, 2011). However, in Western market economies, nationalised enterprises remained rather limited in scope until the end of World War II, since then it has grown in nature and scope. A shift in world public opinion regarding the role of government in economic affairs, which now holds it responsible for the economic functioning of national and international economy, seems to have been a critical factor in this global shift to public enterprises. The state, in addition to its traditional role, is supervising the market economy and has now become an active participant in the marketplace (Makoni, 2014).

It is important to note that nationalisation can be implemented as a strategic rescue measure to salvage an economy especially after a recession or an attack or war. Other countries nationalise natural resources sectors for purposes of economic stability. The factors which propel nationalisation are manifold depending on the economic and financial conditions of the country. The following countries also exercised some form

of nationalisation in different industries of their economy. Table 2.3 below is a list of countries that have nationalised or are considering it.

Table 2.3: Countries with some nationalisation policies or considering nationalisation.

Countries with some nationalisation policies or considering nationalisation.

Argentina (2009) renationalisation of airlines Portugal (2008) bank Malaysia (talk only) Bolivia (2006) national gas USA (2001) airport security after September 11	Channel Islands (2003) airlines. New Zealand (2001, 2993, 2004, 2008) railways, air carrier, etc. UK (2001,2008,2009) Railways, mortgage banks	Germany (2008) renationalisation of the federal print office. The Netherlands (banks) Namibia (partnership in mining and recent talks to nationalize future mineral discoveries)	Ireland (2009) banks, (2010) other companies. Zimbabwe (2004) cricket, food distribution Iceland (2008) renationalisation of commercial banks Sri Lanka (2009) Seylan Bank	Latvia (2008) banks UK (2009) railways and bank-mortgages only Venezuela (2007, 2008, 2009, 2010) oil, cement, steel, rice production, six supermarkets, etc.

Source: FMF (2010).

The ruling African National Congress party instituted a study on the feasibility of nationalisation in South Africa by researching the following countries in 2010. The ANC researched, various forms of nationalisation industries in these countries and their

economic variables with a view to informing South Africa on the merits and demerits of nationalisation.

Table 2.4: Some economic variables in selected countries 2010

Some economic variables in selected countries 2010

Country	Population (Millions)	CPI	Unemployment Rate	GDP/per capita US$	GINI coefficient	GDP Growth rate
South Africa	50.4	7.1	25.7	5,786	6.7	2.8
Chile	16.9	3..3	7.4	9,644	5.0	5.3
Norway	4.9	2.7	2.8	79,098	3.7	0.5
Sweden	9.1	3.2	6.1	43,654	3.2	5.5
Finland	5.4	3.7	6.4	44,581	2.6	3.1
Brazil	190	7.3	6.0	8,230	6.1	7.5
Namibia	2.1	8.8	52.2	4,267	6.7	4.4
Malaysia	28.3	3.1	3.0	7,030	4.6	7.2
China	1,300	2.9	4.1	3,744	4.5	10.3
Australia	22.9	3.6	5.2	42,279	3.5	2.7
Venezuela	28.3	25.8	8.3	121,600	3.8	-1.9
Botswana	2.0	7.0	17.5	15,800	5.9	8.6
Zambia	12.9	8.5	18	1,500	4.8	7.6
South Korea	48.7	4.3	3.2	20,756	3.1	6.1
Taiwan	22.9	1.35	5.2	35,300	3.0	8.5
Singapore	4.9	5.7	2.1	62,100	4.8	14.5
France	64.6	2.2	9.6	41,051	3.2	1.5
UK	62.4	5.2	8.1	34,800	3.3	1.3

Source: World Bank, 2010

National industries control over 90% of world oil production, 40% of iron and bauxite, 65% of copper output, and large shares of other minerals and natural resources (Fourie, 2014). They are also important factors, and steadily increasing market share holders in such industries as petrochemicals, steel, aluminium, transport equipment, fertilizers, railways, shipping, and communication (Makoni, 2014).

Nationalisation is a process of taking a company or assets into the state ownership (Coetzee,2010). It means conversion of ownership from private to government

ownership (Coetzee, 2010). For an asset or industry to be viewed as nationalised it must have been owned by the private sector such as, the property right must have belonged to the private sector. Keeton and Beer (2011), agree with their view that state ownership, or the existence of SOEs, is not like nationalisation. Historically, the state has owned and operated enterprises in all economies in any form including ’capitalist’, ’socialist’ and ’mixed’ economic systems. Some industries remain nationalised, depending on their strategic importance to the country. This would secure regular supply of product or service to the communities (Harrilall, 2011).

Historically, justification for nationalisation may have included a variety of reasons. What known so far from history is that that sector can be targeted for full or partial nationalisation with sufficient motivation (Baartjes, 2011). In nations where nationalisation has happened mining investment was critical (Baartjes, 2011). In Norway and Bolivia, nationalisation was implemented to regain control of natural resources for socio-economic development purposes (Baartjes, 2011). In Zambia nationalisation was propelled by the need to increase government revenue (Baartjes, 2011). In the 1970s nationalisation declined but in the 1980s, denationalisation or privatization received much interest from most nations (Keeton et al., 2011:9). This background of nationalisation is necessary for understanding the options of governments to privatize and restructure their SOEs.

Based on the historical experiences of cycles of nationalisation in resource-rich economies the following conclusions and characteristics have been realized (Chang, 2009).

i. “Nationalisations and privatizations are repeated, cyclical phenomena, which often come in waves common to several countries.” Coetzee (2010: 30) describes it as waves and elaborates that the first wave of privatizations occurred from the 1870s to 1920s. Nationalisations occurred in the 1930s in response to the Great Depression. A “tide of privatizations” occurred after World War II. But expropriations grew in the 1960s, peaked in the early 1970s and then fell. By the late 1980s and early 1990s 95 countries around the world were privatizing assets. Manzano (et al., 2008:93) report the opposite trend in the last few years in a smaller group of countries, mostly in Latin America. According to Spicer, (2012:27) the cyclical nature of resource nationalism appears to be proven but, because mining takes place in many jurisdictions, not all jurisdictions behave in the same way towards resource nationalism. This may be for a variety of reasons including a particular country’s dependence on the mineral sector, particularly powerful lobby groups advocating against resource nationalism, underfunded governments that find it difficult to implement legislative changes timeously (since it would require a significant amount of research) and pro-investment members of various governments (Chang, 2009).

ii. “Nationalisation/privatization cycles are inclined to occur more often in the natural resources and utilities sectors. Chua (1995:299) also found that utility and natural resource companies in the majority countries under analysis are more likely to undergo the nationalisation and privatization recurring cycle (Chang, 2009).

iii. “Nationalisation of natural resource industries tends to occur when the price of the corresponding commodity is high.” Duncan (2006) investigated the causes of expropriation in the mineral sectors of developing countries’ exporters. The results indicated that price booms are meaningfully positively correlated with the instances of expropriation (Chang, 2009). High commodity prices can be a predictor of nationalisation risk. According to Spicer, (2012:27) since there is historical evidence to suggest that where commodity prices are high, countries tend to want more of the natural resource pie while when commodity prices are low, countries tend to want to create a more favorable investment climate to attract companies to invest in their countries (Chang, 2009).

iv. Contracts for the exploitation of natural resources between governments and private companies are such that commodity price windfall are mostly appropriated by private firms. Coetzee (2010:31) draws a relation between the aforementioned and why nationalisation occurs during price booms (Chang, 2009).

v. Nationalisation is more likely when inequality is endemic or worsens in the country and especially when the rents from natural resource or utility companies are perceived as benefiting only a minority. Chau’s (1995) research showed that nationalisation in Latin America and Southeast Asia was invigorated against not only outsiders but also domestic residents who were appearing as unfairly advantaged (Chang, 2009).

vi. “Nationalisation is more likely in countries with low human capital, undiversified productive structure, and faulty public institutions.” Minor (1994) remarked that countries that had experienced mass expropriations were those economies were heavily dependent on a few commodities (Chang,2009)

vii. “Privatized firms are more productive than nationalised forms due to their incentive-driven investment and labour policies; yet, when they are nationalised, the practices that lead to higher productivity are not kept.” (Chang, 2009). All these variables may make one government’s decision to follow a resource nationalisation agenda different to another government’s decision to not follow a resource nationalisation agenda (Chang, 2009).

Many arguments for government ownership of SOEs written in literature, include the following:

- Weaknesses of the free market / private sector – the free-market price mechanism is too volatile / uncertain.
- Efficiency gains in a private enterprise can come at the expense of the customer.
- Natural monopoly arguments – in the interest of consumers.
- Quality of service.
- Employment protection.
- Strategic justifications, for example, nuclear power, airlines.
- Public sector can be a vehicle for macro-control:
    - Pay restraint; and
    - Employment at different stages of economic cycle (Coetzee, 2010).

The major reason for nationalisation is to generate a source of revenue for an impecunious government (Keeton et al*.,* 2011:7). Governments pursue nationalisations for the following reasons.:

- Nationalisation allows profits to be equitably distributed amongst more people, and the country.
- Nationalisation can lead to regional economic development, not just development in the country implementing nationalisation.
- Nationalisation prevents private monopolies, thereby protecting consumers from restricted quantities and inflated prices.
- Nationalisation's objective is social welfare rather than wealth or profits maximization, hence more people benefit.
- Nationalisation can lead to economies of scale, improved quality, and greater efficiency.
- Nationalisation results in increased employment and greater job security. In industries that were failing, nationalisation can revive those industries and thereby prevent unemployment (Atud ,2011).

The problem with the nationalisation programmes in less developed and developed countries is that the leaders who initiate the programmes are motivated more by political and personal concerns than by national economic and social development needs (Simutanyi, 2010).

Six patterns have been discerned in the study of public enterprises which were established as a culmination of nationalisation. These patterns vary from one country to the other and they are unique to a specific region, than merely generalised ones. The next exact description of a public utility depends on a country-to-country basis, yet two basic criteria are generally accepted. Firstly, that the product or service, must be essential and important to the public so that some form of public ownership operation or regulation is vital. Secondly, that the service or product is generally considered to be of a naturally monopolistic nature, therefore, potentially open to abuse of water, gas, electricity, airports, and harbours which fall into the above criteria (Makoni, 2014). Identifiable subgroups, which may, or may not be considered as strict public utilities, are the transport and communication sectors. Railways, omnibus, underground and tramway services, airways, canal and inland waterways, shipping, ferries, telecommunications, telegraph, and ports, fall under this broad subgroup (Makoni, 2014). It is important to note that financial institutions are included in the public ownership debate because of their strategic financial importance to a country (Makoni, 2014). The state plays an important pivotal role in most financial institutions. Financial institutions include, for purposes of this discussion, an array of different types of intermediaries raging from central ranks, commercial and savings bank, to credit institutions and insurance companies (Makoni, 2014). At some stage in global economics, except for Hong Kong, every nation or near nation has a government owned central bank, which has a paramount role in deciding the economic and business milieu (Makoni, 2014). Most countries have developed specific state owned and managed credit institutions in economic sectors such as agriculture and home loans (Bown, 2012). New industrial development, via start-up nationalisation is a major force in many developing economies (Makoni, 2014). The government of a developing

nation makes an initial investment in economically strategic industries or infrastructures, which then helps to stimulate the rest of the economy by acting as an economic locomotive. Investment in mines, steel works, transportation equipment, chemicals, paper, railways, and roads are typical examples (Makoni, 2014). South Africa is a pioneer in this type of development nationalisation with its early state investment in harbours, railways, steel, phosphates, and metals (Fourie, 2014). Japan, however, has pursued this policy as well. It concentrated on setting up, key industries through nationalisation, where private forces were not available (Makoni, 2014). However, while many nations set up these sectors with the aim of privatising them in future, unfortunately, the greatest temptation of keeping a heavy government hand has been irresistible and went unchallenged, thus, keeping them under government control and ownership for longer periods (Baartijes, 2011).

Basic Heavy Industries sector has experienced a significant growth in nationalisation in the last 50 years (Baartijes, 2011). The major distinguishing factor here is that most of these enterprises were established and operated by private industry before being transferred to the public sector via nationalisation (Baartijes, 2011). Coal mining, iron and steel, oil production and refining, mineral extraction, forestry, petrochemicals, shipbuilding and some motor car and transport industries are the most notable examples (Baartijes, 2011). The main reasons for nationalisations are different and varied, but the general crux of this group is that it is mostly a collection of stagnant, strategic, or dying industries, once private, now public, and generally concentrated in the developed countries of the world, particularly in the Western Europe (Atud, 2011). A further extension of this theme is the establishment of development agencies and

the banks to undertake large infrastructure schemes and projects. The Development Bank of Southern Africa and African Development Bank are based on this principle.

The other significant area of substantial government movement is the cultural affairs sector. State patronage of the Arts and Culture sectors, has a long and significant history in Africa, Asia, and Europe (Baartijes, 2011). Their modern equivalent is, however, different. Such traditional public services as administration of museums, art galleries and libraries are relatively minor today (Baartijes, 2011). The nationalised investment has come mainly in such areas as television and radio broadcasting, support for national films, drama, and art, as well as state financial infrastructure and production, such as for the Salzburg Festival in Austria; Macufe Festival in South Africa; La Seala in Italy, the Kennedy Centre in America and film councils in Britain, Korea and Australia have been instrumental in developing and promoting their film industries into major producers and exporters (Baartijes, 2011). State support for arts in nations like France is often on a large scale with large economic implications (Baartijes,2 011). Public broadcasting is an established and accepted means of communication in every country and some governments control and own it.

Sectors of nationalisation vary from one country to the other. Nationalisation of certain sectors of the economy is propelled by ideology. The pattern and fabric which a nationalised enterprise may take is often an important determinant of the direction, scope, and nature of the industry. The constitutional legal relationships determine the levels of accountability and responsibility that each nationalised industry is subject to research globally of the organisational structure of nationalised industries, particularly

by such academics (Baartijes, 2011). Although the legal form and substance of nationalised enterprise differ from region to region, seven major institutions have been identified. Government exercises control on several institutions which include government departments, enterprises, and allied organisations (Leniz, 2011). Government exercise control on departments under ministers. Strategic enterprises are normally put under tight government hegemony (Leniz, 2011). Postal services, telecommunications and telegraph fall into the category of enterprises under government influence (Leniz, 2011). Most Central Banks operate under the auspices of government ministries (Leniz, 2011). In most mono economics, where the country, relies on one product for economic viability, governments control those resources. In most countries in North Africa and Middle East, governments ran the oil-led enterprises through the instrumentality of ministries directly (Leniz, 2011). In Iran, Saudi Arabia and Nigeria oil is considered a strategic commodity for mining and sales directly. For some time, the German railways were considered strategic, their operations were controlled directly by government departments (Leniz, 2011). It is critical to note that governments-controlled sectors endure large-scale political influence and interference. As such the efficiency, effectiveness and productivity of government-controlled sectors is at risk. The concept known today as nationalisation is something more than a technique or method by which the state may assume purely economic functions. It is based on the desire to achieve peace, social justice and to overcome differences and social conflicts (Leniz, 2011). Nationalisation was undertaken for various reasons which are totally the opposite of the reasons for privatisation and restructuring. Nationalisation was introduced for ideological reasons which included facilitating a basic shift in political economy; introduction of classical socialist ideology; new socialism and the emergence of new social democratic and

mixed economic systems. From a political perspective nationalisation was necessary for propelling industrial democracy, public accountability concerns and attainment of national self-determination at industry level. On the economic front, nationalisation was stimulated by many economic reasons like distributional goals. The distributional goals included, redistribution of income, services and socialise commodities. Nationalisation was a measure to remedy market failure.

Many of the traditional arguments for nationalisation and state intervention address the failures of the market from the point of view of capital accumulation. The principle aims in terms of this are:

- to eschew the abuse of monopoly power where a single enterprise is seen as the most efficient size of units.
- to implement restructuring where structural efficiencies are not attained.
- to provide services which are efficient from a social cost-benefit point of view, but which would register balance sheet losses.
- to prevent the huge social and economic costs caused by economic collapses and downturns, in employment and other terms; and
- to ensure macroeconomic stability through direct control of key industries' expenditure (Malikane, 2011).

Nationalisation aims to forestall the misuse of monopoly power where 'natural monopolies' exist. Such monopolies are characterised by a sub additive cost function and sustainability (Malikane, 2011). Natural monopolies – such as gas and electricity

– can only operate efficiently where they are granted exclusive rights of production and/or distribution, irrespective of whether they operate within the private or public sector (Malikane, 2011). Where a natural monopoly arises in an industry which is essential for the welfare of the community, there is always a risk that private owners may exploit their position (Malikane, 2011). Furthermore, where a natural monopoly sells its products to other essential sectors and employs a significant proportion of the national workforce, the temptation to misuse its power is ever-present (Malikane, 2011). Nationalisation can overcome structural inefficiencies generated in the market. Nationalisation is used for filling an investment gap. Nationalisation can be used to foster the growth of industries when private funds are not adequate. Another goal is to sustain industries which are regarded as essential, but which do not meet the profit criteria of the market. This aim of nationalisation, it has been argued, should be temporary. In an internationally competitive market, there must be something suspicious about a company in need of permanent public aid (Makoni, 2014). State control and funding is required when an activity is required, but there are insufficient existing private resources to provide it or alternatively, when it is not profitable. Other aims of nationalisation include long-term Investment; preserving and/or creating employment; response to economic crisis / profitability crisis; welfare optimisation / social cost-benefit; economics of scale; increasing productivity; developing the value chain; changing employment practices and finally as a response to international developments in the industry. Norway nationalised its oil industry in response to international developments in the industry (Atud, 2011). Oil exporting countries wanted a reorganisation of the industry because their share of the rent was too low.

Where international competitiveness is waning, nationalisation can be attempted to redevelop it. Capitalism is characterised by certain inefficiencies at a national level.

The seven inefficiencies of capitalism at a national level are as follows:

1. There is a waste of talent as education levels differ for different classes.

2. There is an irrational distribution of income. The welfare of all is not guaranteed, and large imbalances in command over disposable income lower the potential productive efficiency of the economy (Atud, 2011).

3. Since most economic decisions are made by directors operating on their own, social control is virtually impossible (Atud, 2011).

4. Private firms have every incentive to grow beyond the optimal productive size. Oligopoly and monopoly are natural tendencies, leading to misdistribution of resources.

5. Private ownership imposes constraints on social planning. Inflation, unemployment, business fluctuations and wasted resources result.

6. Waste occurs in the business process: there is a social cost to artificially created needs; there is ecological damage; high pressure advertising becomes an indispensable and large cost.

7. The conflicts between capital and labour result in high costs of conflict management for the state (Leniz,2011).

Once again Horvat argues that these inefficiencies are the product of ongoing class struggle endemic to capitalism and its forms of ownership and control. Restructuring these relations by altering, through nationalisation, the forms of ownership and control

would resolve the class antagonisms (Malikane, 2011). This would then correct the inefficiencies at a national level to which they give rise.

Given the foregoing, there are several characteristics about the aims of nationalisation elsewhere in the world, namely:

- The aims are diverse, covering the spectrum of economic, ideological, and political reasons.
- There is a strong ideological and political part. This is particularly the case in the less developed economics in Latin America and Africa.
- Nationalisation is not usually included as part of the central economic programme of government, but is an important tool used to respond to economic problems (Malikane, 2011).
- The aims reflect a diversity of goals across the entire political spectrum.
- The goals are mostly at a macro-economic level. However, there can be a specific micro-economic aim as well (Malikane, 2011).

The railways sector was brought into the public sectors of major countries after the Second World War and has mostly remained there with less enthusiasm. Proponents of railway-sector nationalisation have primarily been of four camps namely: the natural monopoly; commanding heights; economic presentation and national pride groups (April 2012).

Given the foregoing discussion of nationalisation, it is now clear why the governments of countries in the world opted again to privatize their SOEs to manage their economies efficiently, effectively, and competitively. Nationalisation proved to be poorly managed and resulted in poor performance of the SOEs and continuous over-financial dependency on national governments thus bankrupting nations or putting them in financial crisis. From nationalisations governments across the world have moved to SOE privatisation and restructuring to improve their operational performance and financial sustainability. With this background, we can now move to delve into the implications of privatisation and restructuring of SOEs.

SOEs can be used as vehicles of creating socio-political and economic stability in a post-conflict country (Efird, 2015). Liberia is a good example. The UN soldiers went into the country to facilitate the work of the government electricity corporation and government-controlled rubber plantations. This was thought to be a means of creating a conducive environment for political stability in Liberia which had gone through decades of military violence and political upheavals led by military generals. Creating stable SOEs would serve as a background for peace and stability in Liberia (Efird, 2015). State ownership can be created to produce bailouts to ailing enterprises or institutions particularly after a great depression or an economic slum or a global economic crisis. A government can pursue collapsing organisations which government deems critical for the economy. After the world financial crisis, the republic of Ireland pursued a nationalisation policy for most of its domestic banks. The domestic banking sector was transformed through nationalisation (Palcic & Reeves, 2013). It is in fact very understandable for governments to want to create more SOEs through

nationalisation. SOEs contribute to the economy immensely. Public enterprises in the OECD region, contribute profoundly to the GDP, employment, and market capitalization (Buge et al., 2015). These public enterprises are found in the transport, energy, and telecommunication sectors (Mbo & Adjasi, 2015). Contrary to the popular belief, some SOEs are very successful like the Singapore Airlines, EMBAER of Brazil, the French Renault, the Korean POSCO and Aramco in Saudi Arabia (Mbo & Adjasi, 2015). SOEs are amongst the biggest firms in the world and contributed around 3.6 trillion dollars in 2011 (Buge et al., 2015). With development states playing a direct and active role in their economies, seeking a particular vision of development, it is intuitive that SOEs, given state control, have been accorded key roles. Many countries, including South Africa, have attempted to align their SOEs with their development and growth priorities. This has been necessary considering the challenges brought about by globalization such as, increasing trade and competition, mobile and volatile capital, coupled with persistent social problems of unemployment and inequality (Presidential Review Committee on State-owned Entities, 2012). The role for SOEs is premised on a limited role for the state in development and includes:

- The provision of key social and public goods that the private sector is not willing to provide, whose provision is inadequate in level or price. This constitutes the market-failure basis for state provision of goods and services. This includes goods such as transport infrastructure, defence, healthcare, sanitation, and scientific research.
- Ensuring socially optimal outcomes in the content of a natural monopoly. In the case of a natural monopoly, wherein market or natural factors determine that only one such supplier may exist, private ownership may result in supply or

prices that are not socially optimal. As such, state ownership is desired. This is particularly the case with natural monopolies providing basic rights/public goods, where the potential of social exclusion exists.

- Countries have also maintained SOEs on the basis that they provide 'strategic value'. The conception of 'strategic' value added by SOEs varies between countries and has been justified on various grounds such as national security (defence, water, and energy) and 'national pride' - national airlines (Cuerv-Cazurra et al., 2014).

Many countries have also utilized their SOEs as part of their industry policy strategies. This has included:

- Requiring SOEs to charge certain domestic customers below market-price to support and develop the domestic economy (developmental pricing);
- Requiring SOEs to procure from local suppliers with the intention of development local capabilities; and
- Requiring SOEs to make investments that the private sector would not consider, on the basis that the investment would catalyse further investment from the private sector, with benefit accruing to the state in terms of higher employment and tax revenue (Cuerv-Cazurra et al., 2014).

Public enterprises are an important part of the global economic architecture (IMF, 2019). In OECD countries, the employment role of public enterprises is very wide. In 39 OECD countries, public enterprises have contributed to 9.2 million jobs in emerging market countries (IMF, 2019). SOEs are performing well, they participate in

employment in a great measure and when their performance is low the restructuring through downsizing is recommended. These impact on the employees of these SOEs.

2.1.2 Rationale and objectives of state ownership

Various motivations for the establishment of SOEs in countries by governments have been propounded at every stage in history. Governments argue that public enterprises are critical for the local economy as propellers of local economic growth and development (IMF, 2019). Public enterprises are established in strategic sectors of the economy and country. Such strategic sectors include defence and utilities industries (IMF, 2019). Public enterprises, sometimes often referred to as SOEs or state-owned companies are created to protect local economies from foreign competition (IMF, 2019). Sometimes these enterprises are built to meet public service obligations by governments (IMF, 2019). From a symbolic policy perspective, the profits and higher profitability levels which most companies desire, are less important compared to national pride. To governments, the cultural and economic symbolism which is accustomed with ownership of enterprise is far much greater than profits (IMF, 2019). The symbolic significance in some of the enterprise is what matters than profits. A study carried out by the IMF has grouped the reasons for creating SOEs as follows:

- Supplying of specific public goods and services.
- Supporting national economic and strategic interests.
- Performing business operations in a natural monopoly situation.
- Ensuring continued national ownership of the enterprise.
- Supporting social objectives; and

- Creating a state-owned monopoly where market regulation is deemed inefficient (IMF, 2019:13).

The results of the CESEE countries research or study reflected two important rationales, namely: the supply of specific public goods and services and support of key national economic and strategic interests. OECD countries refer to the same objectives and rationales (OECD, 2018b). Another research also revealed the rationales of government in the financial sector. Most state-owned banks (SOBs) pursue both profit goals and social goals. This was found to be common in the central Asian countries (including 13 CESEE countries) regarding their publicly owned banks (POB) and the surveyed 21 European countries (IMF, 2019). State-owned banks also find public policy objectives pursuance attractive (IMF, 2019). Researchers have found out that public enterprises are less efficient and less effective than their private sector counterparts. Public enterprises incur financial waste in wages and other labour other costs (IMF, 2019). Thus, most ailing enterprises are advised to restructure through downsizing their human resource in a bid to cut costs of operation. SOEs have different names namely government assets, state corporations state business, state companies, parastatals, public enterprise, public-owned business, and state-owned companies (PWC, 2015). In all the above names, the name government or state is a common denominator, thus signifying the importance, role and ownership by government. The legal forms of public enterprises depend on several factors including the following:

- The level of government that owns the enterprise for example, central, federal, state, regional or local.
- The way in which the enterprise was founded.

- The position in the public administration hierarchy.
- The purpose of the SOE; and
- The status of the SOE if it is in the process of being restructured (PWC, 2015:8).

Research has also shown that the forms of SOEs are influenced by the factors below:

- Full, majority or minority ownership by the government.
- Listing (or not) on a stock exchange.
- Government shareholdings through vehicles such as government funds, restructuring corporations and development lenders; and
- State-enabled (for example enterprises which have been granted exclusive rights by the state) as opposed to state-owned (PWC, 2015:8).

All the above factors influence the forms of state ownership of enterprises globally. The (IPSAS), International Public Sector Accounting Standards Board has made efforts to define, in a standard way, all companies owned by the state (PWC, 2015). Within the OECD countries public enterprises are companies in which various forms of government holds a significant control through full, majority, or significant minority ownership (PWC, 2015:8). These forms of government include national, regional provincial, local or municipal governments. SOEs can be owned by the local municipality, country or centrally owned by the state. In Sweden, SOEs play an important role at all the three levels of government. Local government owned SOEs are small but are more than centrally owned SOEs. In Sweden, SOEs owned by the municipalities are 74 but they contribute 34 of the SOE employees and 40 of the total SOE revenues in 2013 (PWC, 2015:11) In Germany, 89 of the public enterprises are

owned by local municipal government. These municipally owned entities contribute 62 of the public enterprise income (PWC, 2015)

The Chinese economy has progressed very well because of its SOE sector growth and boom. The ratio of SOEs on the list of Fortune Global 500 has increased from nine percent in 2005 to twenty-three in 2014, (PWC, 2015) because of the Chinese SOEs. Chinese SOEs are among the largest companies in the world and contribute immensely to the Chinese and global economy (PWC, 2015). The global financial crisis excited government intervention in the financial services and acquired some ownership in the privately-owned financial houses (PWC, 2015). Governments may decide to acquire partial shares and leave the rest to the private owner. In these instances, governments still have control and influence on the company despite having less shares.

Historically SOEs were created to service the national needs and services of a country in the utilities transport, electricity, military, and defence sectors. When they were created after the global Great Depression, the focus was on reconstruction and development programmes implemented by various national governments. SOEs were created to deal with key national strategic sectors which would benefit the national economies and the citizens of countries in Europe, Asia, and Latin America. However, most Western countries decided to privatise the SOEs with their various reasons as shown by the table below:

Table 2.5: The privatisation framework internationally

	Objectives	Laws, regulations, policies and other rules	Employment conditions post privatization	Administrative frameworks and procedures
Argentina	Derived from the motives for state ownership: controlling resources, remedying market failure and industrial promotion. In addition, privatization was sometimes motivated by fiscal deficits.	There is no overarching regulatory framework for privatization. Privatization during the 1990s was guided by a specific privatization law (the "State Reform Law"). Corporate and public administration laws also apply. Sector regulations, generally entrusted with the same ministries that exercise SOE ownership, may moreover impact the privatization process.	Employment post-privatization according to private labor law. Collective agreements must be respected. The state may impose mitigation measures such as employee shares. During privatization in the 1990s, labor responsibilities would be absorbed by the concessionaire as mandated by the State Reform Law.	Privatization is conducted by individual ministries, under the oversight of the presidency as well as a parliamentary commission.
Czech Republic	Privatization is mostly motivated by fiscal concerns and the purpose of changing market conditions in the sectors where SOEs operate	A law issued in 2005 abrogated the privatization agency and established competencies for the Ministry of Finance to conduct privatization.	The new owners are usually required to assume responsibility for all employees.	Nothing beyond what was established in the 2005 law.
Denmark	The state issues an official ownership policy. SOEs whose purpose does not coincide with the policy are candidates for privatization	EU regulations. Each privatization moreover requires parliamentary approval.	No privatization-specific rules. General laws about staff rights in case of takeovers, as well as the rights of civil servants.	No formal administrative framework. Each process is tailored.
Estonia	Most of the privatizations during the period under review were motivated by considerations that the state's participation in an SOE is no longer needed for public purposes and the country's fiscal	A legal and regulatory framework for the state's participation in companies and the sale of shares of SOEs is provided by the State Assets Act	There are no specific rules or conditions concerning the rights of the rights of the incumbent staff of a privatized company.	The general framework for managing and implementing the privatization process is provided by the SAA. Under the Act, a government

	resources should be raised in the short term.	(SAA). The Act establishes a codified list of rules for management and operating principles of SOEs, including a yearly evaluation of the state-owned enterprise ownership portfolio and sale procedures for the sale process.		ministry with an ownership function is charged with a responsibility for implementation of privatization.

(Author's Compilation)

In recent years SOEs have become an international phenomenon. They participate in the global political economy. They are involved actively in international trade and commerce. Some governments in the emerging markets have already embarked on public enterprises globalisation (Kowalski et al., 2013). Countries have, in recent years, used public enterprises to curve niche in the global economy and elicit advantages for their national economies. Research has shown that in Fortunes 2000 largest companies between 2010 – 2011 two hundred and four of the two thousand companies were majority-owned public enterprises with ownership interests spread across thirty-seven nations around the world (Kowalski et al., 2013). United Arab Emirates, Russia, Indonesia, Saudi Arabia, Brazil, China, and India are countries with highest public enterprises share ownership. Their international trade participation accounted for twenty percent of world trade in 2010 (Kowalski et al., 2013). Chinese SOEs accounted for more than ten percent of the global exports trade in 2010 (Kowalski et al., 2013). Given the above, it can be noted that SOEs definition, role, rationale, and activities have changed in the last twenty years because of their increased inclination and propensity to operate at the world economic stage than they would do historically. Thus, it can be concluded that SOEs are global economic players

in international trade and commerce, however, owned by their home government at any level ranging from local, regional, provincial to central (national) governments. The greater involvement of SOEs in international trade and commerce is caused by megatrends such as shift in economic power at the world stage (PWC, 2015). SOEs play a global role in international trade in countries which include Mexico and Turkey (PWC, 2015).

The definition and scope of SOE objectives have evolved in the last twenty years, from being a local firm to a global one. In the recent years China has proclaimed their “made in China 2025” strategy crafted to enable public enterprises in China to be involved in overseas global markets and trade and export affairs competitively (PWC, 2015). This strategy aims at creating mega SOEs in China, which are competitive locally and at the world market level. The amalgamation of China Southern Rail and China Northern Rail is a clear sign that China is committed to create mega SOEs (PWC, 2015). Sovereign Wealth Funds (SWF) have become a unique form of government companies in recent years. Governments own them and utilize them as instruments to invest in companies elsewhere in the world and thus participating in the world economy. For instance, by March 2014, sixty-nine percent of the Singapore – SWF called Temasek Holding was based abroad (PWC, 2015). SOEs are no longer local entities that sell local, regional, or federal services but global competitive players that are driven by the desire to acquire and increase wealth for their owners and their clients (citizens). SWFs became very influential during the global economic crisis or financial crisis. SWFs are state owned investment funds that partake in investments on behalf of their owners (government). They are a common feature in most European and Gulf countries. Norway’s Government Pension Fund Global (GPFG), is one of the

biggest government owned funds established in 1990, during the oil discovery period (PWC, 2015). SWFs play a key role in global social corporate responsibility. GPFS does not trade in any global company with the following issues or records:

- Serious or systemic human rights violations.
- Serious violations of the rights of individuals in situations of conflict or war.
- Severe environmental damage.
- Production of weapons that through their normal use may violate fundamental humanitarian principles.
- Production of tobacco; and
- Other particularly serious violations of fundamental ethical norms (PWC, 2015).

Given the foregoing SOEs have grown and changed in their nature and scope. SOEs are now entities with a global posture in terms of their operations and objectives. The E7 countries (China, Brazil, Indonesia, Russia, Mexico, Turkey, and India) rely on SWFs for their fiscal enhancement and sustainability. The World Bank and the OECD have identified the main reasons why governments own enterprises in a country.

Summary of reasons for State Ownership of Public Enterprises

- To provide public goods (e.g., national defence and public parks) and merit goods (e.g., public health and education), both of which benefit all individuals within society and where collective payment through tax may be proffered to users paying individually.
- To improve labour relations, particularly in 'strategic sectors
- To limit private and foreign control in the domestic economy.
- To generate public funds.
- To increase access to public services
- To encourage economic development and industrialisation.

Source: PWC, 2015.

When governments opt for state ownership, the thinking is largely premised on the notion that ownership of public enterprises helps governments in the process of economic development, growth, and industrialization through:

- Sustaining sectors of special interests for the economy, and in particular to preserve employment.
- Launching new and emerging industries by channelling capital into SOEs which achieve economies of scale in sectors where the start-up costs are otherwise significant. This might be seen as an alternative to regulation, especially where there are natural monopolies and oligopolies (e.g., electricity, gas, and railways.)
- Controlling the decline of sunset industries, with the state receiving ownership stakes as part of enterprise restructuring (PWC, 2015 :14).

Federal or national governments have always established and invested in publicly owned companies largely owning to existence of market imperfections and inability to achieve major societal demands and needs like infrastructure, gas, roads, or housing (PWC, 2015). Governments globally have historically depended on these SOEs for all the various objectives outlined in this section of the research. However, with the changing times, particularly the economy and global political economy, the rationales for SOEs have changed. Governments in the developing world are increasingly concerned with the operational efficiency, effectiveness, competitiveness, and profitability of these SOEs because they have recent times become a burden on the national bailouts. Governments internationally are drained financially by the ailing SOEs. Governments in the developing world spend billions every year, in a bid to keep these SOEs afloat. However, most governments have embarked on various

restructuring programmes which aim to ameliorate the operational performance of these loss-making SOEs. It was very necessary to impact this background of the rationale for state ownership because this enables a profound understanding of how the mandates and rationales of governments in state ownership have changed in recent years, with most government opting to restructure their SOEs. These SOE restructurings have, however, precipitated innumerable impacts on human resources in various sectors including the rail sector (which is the subject of this study). With a plethora of restructuring of SOE programmes occurring across the world at alarming rations, the mandates of these SOEs have also changed. State ownership of most of the utilities rapidly increased in most of Europe during the first decades of the 20th century. Fourie (2011) argues that at the time government was seen as the only sector able to develop the state. During this time, most private entities were nationalised and controlled by government or state.

Even though China was not colonized, they too have benefited from SOEs. China has made extensive use of SOEs in the last decade. For example, according to Zhong (2014) by 2003, China had about 34,280 SOEs and state-holding entities about $658 million gross industrial output. Gang (2013) goes on to state that the main SOEs in China not only pay a vital part in the country but also especially in strategic industries and sectors.

Monte (year) argues that during the development process in the early 20th century SOEs were seen critical due to three important grounds which are:

1. The scale of long-term capital required in new economic activities, many of which are critical foundations for other new activities, requires state involvement/leadership.
2. The size of the risk of new ventures is too high for private entities to undertake for reasons of technology and absence of critical complementary economic activities.
3. Private appropriation of benefits from certain new economic activities prevents more widespread access by other private sector parties and requires higher cost that if undertaken by a state enterprise with lower profit requirements and longer-term investment horizons (Montes, 2014:51).

SOEs were set-up to aid in the provision of services by the government. They were expected to ensure that the state provides effective and efficient goods and services to the citizens while also providing the state with revenue for further capital investment. SOEs have been created worldwide each with their own public policy agendas, such as the building of basic physical infrastructure to provide services like water and electricity. However, this was to be done in a manner that would generate income for the treasury (World Bank Group, 2014). While SOEs have contributed to the economy, it became evident that from the 1970s through the 1980s many SOEs had performed below expectation. SOEs did not generate revenue / profits necessary for capital investment. Compared to private sector operations, SOEs were financially not viable. However, the World Bank pointed out those SOEs (unlike the private sector) serve a multitude of policy aims and goals, many which are not profitable (World Bank Group, 2014). OECD and World Bank have identified a range of reasons behind the establishment of SOEs, namely to:

- Provide public goods (e.g., national defence and public packs) and merit goods (e.g., public health and education). Both of which benefit all individuals within a society and where collective payment through tax may be preferred to users paying individually.
- Improve labour relations, particularly in ‘strategic’ sectors.
- Limit private and foreign control in the domestic economy.
- Generate public funds. For instance, the state could invest in certain sectors and control entry to impose monopoly prices and then use the returning SOE revenue as income.
- Increase access to public services. The state could enforce SOEs to sell certain good and services at reduced prices to targeted groups as a means of making certain services more affordable for the public good trough cross-subsidization.
- Encourage economic development and industrialization through.

Sustaining sectors of special interest for the economy, and to preserve employment, launching new and emerging industries by channelling into SOEs which are, or can become large enough to achieve economies of scale in sectors where the start-up costs are otherwise significant. This might be seen as an alternative to regulation, especially where there are natural monopolies and oligopolies (for example. electricity, gas, and railways).

The legal and regulatory frameworks of SOEs are important in ensuring the government of SOEs (OECD, 2011). For an effective legal and regulatory for SOEs, the OECD (2014) has identified five recommendations stated should follow, which are:

1. An effective legal and regulatory framework must be enforceable and implementable. Any additional good practices should be consistent with existing legal and regulatory frameworks.
2. There should be a clear separation between the state's ownership function and other state functions that may influence the operating conditions for SOEs, particularly with regards to legal enforcement and market regulation.
3. Government should strive to simplify, streamline and harmonies the legal form under which SOEs operate. Unless there are strong reasons to the contrary, SOEs should be incorporated subject to ordinary company law.
4. Any obligations and responsibilities that a SOE is required to undertake beyond its normal commercial functions should be clearly mandated, disclosed to the public and their costs covered in a transparent manner.
5. Where SOEs and Private enterprises compete (or might compete) in the marketplace, a level playing field should be ensured and reconciled with economic development objectives. No entity should have a competitive advantage, or disadvantage, purely in consequence of its ownership (OECD, 2014:6).
6. SOEs are used by government to execute commercial actions for profit as well as important governmental tasks in development countries where investment isn't suitable for private sector involvement (Bantug, 2013). Governments in developing countries provide needed goods and services to the people as well as participation in the running of public utilities, money services and other undertakings that are profit oriented using SOEs (Bantug, 2013).

In developing countries, this was hard to keep up. Between 1986 and 1991, SOEs saying-investment (S-I) recorded a loss of an average of 1.7 percent of its GDP, meaning they were not able to come up with the required resources to pay for their expansions, operations, and maintenance of their debts (Smith & Trebilcock, 2001). The continuous underperformance of SOEs brought about serious issues. Firstly, SOEs obtained an uneven amount of domestic funding, considerably gathering the cost of capital of less develop countries private entities (Smith & Trebilcock, 2001). Also, ineffective levels of production within SOEs led to the removal of assets from economic areas which might have been used wisely elsewhere (Smith & Trebilcock, 2001). In developing countries, SOEs tend to produce in the region of 15 percent of the regional gross domestic product (GDP), 6 percent in Latin America and about in Asia. SOEs account for about 20-50 percent of the economic value in the North and Middle East of Africa as well as up to 30 percent of the total employment according to OECD (2012), while Kikeri and Kolo (2006) identified that more than 50 percent of the GDP is due to SOEs in some places in Central Asia. This shows how SOEs are vital contributions of GDP in the developing countries.

Ennser-Jedennastik (2014) identified some issues regarding SOEs in developing countries. Patronage, such as when an SOE is solely appointed because of its loyalty to the ruling elite as opposed to being employed based on merit. Scholars such as Kopecky and Scherlis (cited in Ennser-Jedenastik, 2014) explain that party patronage is prevalent in developing countries. In such cases, the dominant political party assigns people into key positions in SOEs which enable the political party to influence the actions of that SOE.

The OECD has provided guidelines for state ownership of public enterprises. Governments exercise ownership over SOEs in the best interest of their citizens (OECD, 2015). The main goal of state ownership of SOEs or state-owned companies (SOCs) is to increase economic value for the communities through effective and competitive allocation of all forms of resources (OECD, 2015). It is the major responsibility of governments to formulate an ownership policy, which clearly demarcates the government in the SOEs management and the implementation of the state ownership policy (OCDE, 2015). The ownership policy is subjected to principles of political accountability of a country and such policies are put to severe public scrutiny because SOEs serve the interests of the public of a country, therefore at every stage of the formulation of the state ownership policy, the public through their stakeholders in the legislative arm of government and other organisations should be involved (OECD, 2015). The state ownership must be very clear about the state ownership mandate. The problem with self-contradictory, inconsistent, or multidimensional rationales is that most governments end up meddling in the corporate governance of the SOEs which is highly political and ruling political party based. This is the position of most SOEs in developing countries or post-settler rule economies. Governments fail to define clear rationales for the SOEs with the result that most SOEs operate under the aegis of two or three central or federal ministries together with their boards. Governments are owners of the SOEs in most countries. Globally, in OECD countries and in the developing world, states own majority shares in key strategic industries of the economy. SOEs are a vital element of development in most economies (Buge, et. Al., 2013). SOEs are tasked with providing strategic services and goods to a country's people (PwC & IoDSA, 2011:2). Furthermore,

according to Fourie (2001:206), SOEs can contribute by improving the living conditions of the citizens. Balbuena (2014:6) argues that SOEs mainly focus on the fiscal development of utilities and infrastructure. Other academics go on to write that with SOEs focusing on economic development, they are then seen as relevant entities in rising economies. SOEs have a responsibility to provide strategic facilities that are seen as national interests (Aproskie et al., 2014:2).

SOES are significant vehicles for job creation and employment because of the extent of the work they undertake. They provide the citizens with employment opportunities since these are public entities, they must employ people to work in these companies (Chavez & Torres, 2014). SOEs further aid in the provision of vital services to the citizens at a rather affordable and cheaper rate, also they protect consumes which are the citizens from being exploited by private companies (Chavez & Torres, 2014). SOEs are often established to ensure that government is in control of the strategic sectors of the country's economy, to avoid the abuse of private industries monopolizing these sectors at the expense of citizens (Buge et al., 2013).

SOEs are often established to remove foreign and private control of the domestic economy. Thy aim to ensure that revenue generated in the local economy does not leave the country (Chavez & Torres, 2014). SOEs can also help to generate revenue. For example, the state might invest sectors and ensure they have control over entry to impose monopolization of prices, this then can result in the state using the revenue acquired as income (Chavez & Torres, 2014). Moreover, by establishing new sectors by funnelling money into state entities that is developing so that they can be sustainable.

For key expectations to be communicated there must be a well-refined regulatory and legal framework that can guide the obligations of SOEs (World Bank Group, 2014). The primary purpose of regulatory and legal framework is to ensure that everyone is clear about the policy directory of the state. The boundaries of and the relationship between government shareholders and the Board of Directors of SOEs need legal reference. The roles and responsibilities of SOE Board and SOE managers need government oversight and control to enforce SOE accountability (World Bank, 2014). Some SOEs are created as statutory companies having their own legislative act or other unique legal foundation, while others can be non-corporate enterprises appearing like an SOE or a government sector which at times would fall under public enterprise law (OECD, 2011). The legal and regulatory frameworks of SOEs are important in ensuring the government of SOEs (OECD, 2011).

In sum, the rationale for state ownership of SOEs is informed by national interest and pride rather than the desire to accumulate profit like privately-owned enterprises. In recent years, SOEs in Europe, Asia, and the third world have suffered higher degrees of inefficiency, ineffectiveness, and lack of operational productivity and as a result have become loss-making and dependent on government for bailouts. The bailouts come in the form of huge financial packages which drain the fiscus of nation states. Thus, most countries have decided to restructure the rationale or mandate of SOEs. SOEs can make use of the advantage of innovation developments globally and locally although many factors impact on innovation in relation to SOEs. Innovation in SOEs is affected by many factors as shown in table 2.6 below.

Table 2.6: Factors which affect innovation in SOEs.

	State-Owned Enterprise	Private Enterprise
General Characteristics	• Embedded in government. • Goals influenced by national policies. • Objectives diverse or not well articulated • Boundaries vague • Accountable to state	• Embedded in market. • Owned by private investors. • Clear profit maximization goals • Accountable to shareholders or private owners
Innovative Orientation	• Political and bureaucratic restrictions on innovation • Weak incentives to deviate from standard operating procedures. • Civil service protected managerial positions. • Organisational and technological changes driven by state budget resources. • Able to survive as "loss markers" because of soft budget constraints. • Fixed pay salary ranges. • Limited interaction with external environments. • Low levels of technological change.	• Marker opportunities provide freedom to innovate. • Financial incentives for managerial risk-taking. • Managers' employment depends on profitability. • Salaries supplemented by opportunities for ownership stake. • Extensive interaction with external environment. • Potentially high levels of technological change.
Human Resource	• Formalization and standardization in hiring	• Firm determines rules of recruitment.
Management	• System-wide rules for promotion and removal. • Limited ability to reward unique roles or performance. • Limited incentives to use technology to increase labour productivity. • Managerial behaviour driven by civil service rules. • Difficult to remove or reassign employees.	• Differentiated pay rates. • Promotion and removal determined by performance. • Strong ability to reward unique roles and performers. • Strong incentives to enhance labour productivity with technology. • Behaviour driven by incentives and firm strategy. • Easy to remove or reassign employees.
Productivity and Work Effort	• Difficult to provide feedback on performance. • Limited control over group norms. • Limited freedom to find jobs. • Standardized pay and limited opportunities for extra rewards for effort.	• Freedom to set goals and set provide employee feedback. • Strong control over group norms.

		• Strong work motivation driven by uncertain job security and opportunity for financial rewards.

(Author's Compilation)

Restructuring through downsizing is viewed as a measure to cut costs of operations, within the SOE. The benefit that when restructuring through downsizing, is implementing, costs can be cut and the SOE viable again, is well-entranced in the minds of most governments. However, implementation of SOE restructuring through downsizing has globally proved to be negative to employees. They endure very negative impacts in terms of survivor effects and many other effects. It was important to set the backdrop of SOEs, their rationales and ownership because when restructuring of SOEs takes place, the mandate and rationale also changes and thus, consequently affecting employees in many ways. The rationales of restructuring SOEs vary from country to country from one government to the other and from one SOE to the other. The impact of restructuring of SOEs through downsizing also differs from one SOE to the other. Different types of reforms have been proposed and implementation of SOEs worldwide. Privatization was initially the most popular public sector reform approach. According to Goodman and Lovemen (1991), in the 1980s and 1990s most governments in the developed countries decided to sell some or parts of their entities to generate revenue and free themselves from losses gathered by falling entities (World Bank Group, 2014). This new shift in reforms was worldwide. Private sectors were procuring anything from prisons, educational utilities, railroads, and anything being privatized. In 1990 alone worldwide, governments were able to generate over $25 billion from selling state entities to private companies (Goodman & Lovemen, 1991). Developing countries were not far behind in this reform as they too

also began selling off state entities either because they followed political and economic ideologies, while others sold them to build their revenue (Goodman & Lovemen, 1991). This reform did improve the performance of the firms in competitive sectors as well as the infrastructure and financial sector respectively (World Bank Group, 2014). Various scholars and academics have written about strength and weakness of SOEs, for example Tuan (2015) identifies that SOEs are there to make sure the socialist alignment of the economy as well as reserve the economic goals of the nation. Bishnoi (2015) identifies several advantages of SOEs. Since most SOEs are controlled and owned by the state basic services and goods are made affordable. Secondly, commercial SOEs tend to enjoy fiscal freedom since they only rely on government for the primary investment, thereafter they can pursue their mandate responsibilities in the manner they see fit. Thirdly, non-commercial SOEs can supply citizens with much needed services at affordable and cheaper rates, since such SOEs are not primarily focused on making profits.

SOEs have several advantages. SOEs protect citizens from being taken advantage of by private companies, by providing better and cheaper alternatives. SOEs assist the government to take over some strategic industries of the economy. This is done mainly because if these sectors are not controlled and monitored properly, they stand a chance to have major risks to the citizen of the state. Scholars such as, Bantug, (2013), Kowalski, Buge and Sztajerowska, (2013) and Wong (2004) argue that SOEs could create jobs for its citizens in the roll-out of goods and services.

Another advantage of SOEs is that they are protected from bankruptcy and takeovers because the state is the main shareholder (Shapiro & Globerman, 2012). However, this can also be a disadvantage in the sense that the incentive for financial viability is weak since the state guarantees its financial survival through bailouts and loans. OECD countries have experienced the same problems with their SOEs, and they managed to overcome them. They have a list of measures or guidelines which they think can improve SOES as shown below:

Table 2.7: OECD guidelines for creating better SOEs.

Governments needs to be better owners of state-owned enterprises, says OECD
The OECD has approved new Guidelines on Corporate Governance of State-Owned Enterprises to give concrete advice to countries on how to manage their responsibilities more effectively as company owners. The Guidelines aim to help make state-owned enterprises more competitive, efficient, and transparent. In many OECD countries the state remains an important owner of large firms operating in key sectors, including energy, utilities, and infrastructure. But a recent OECD study reveals the challenges facing such firms, including conflicting corporate objectives, under board responsibilities and opaque appointment procedures. To address these issues, the Guidelines call on governments to: Ensuring a level-playing field for state-owned enterprises competing with the private sector by: • Clearly separating the state's ownership role from its regulatory role. • Allowing more flexibility in capital structures while making sure that state-owned enterprises face competitive access to finance. Become more informed and active shareholders by: • Simplifying the chain of accountability through centralizing or more effectively coordinating shareholding responsibilities within the state administration. • Reducing political interference in day-to-day management. • Introducing a transparent nomination process for boards, based on competence and skills. Empower boards for: • Clarifying their mandates and respecting their independence. • Separating the role of Chairman and CEO and giving boards the power to appoint CEOs. • Separately monitoring the board's performance. Improve transparency by: • Strengthening initial controls. • Carrying out independent, external audits based on international standards. • Disclosing any financial assistance from the state.

- Producing aggregate performance reports.

Source: OECD, 2016

The guidelines by the OECD countries may work in modern democracies and high-income countries whose SOEs have developed over many years. It is also important to understand the theories of SOEs to get a theoretical thrust of SOEs.

2.1.3 SOEs: Theories of ownership

SOEs around the globe exist to serve the interest of the public and are owned largely by government as major shareholders from a transaction cost theory. In view of the rationale of the existence of public enterprises, it can be deduced that companies or entities adopt to economic and transaction costs in a more effective or efficient way than markets (Coase, 1937; Williamson, 1975; Williamson, 1985). SOEs exist and survive because of the market failure countries experience at one stage or the other (Peng et al., 2016). The world economic crisis of 2008 was typical of a critical market failure than led to the economic collapse of most states, organs and SOEs. The world economic crisis or financial crisis of 2008 was sufficient proof that markets alone cannot lead to economic growth and development but rather that state intervention is both primary and significant in the economy.

Government has explanatory power on the issue of SOEs effectiveness efficiency and productivity according to property rights theorists (Cheung, 1983; Grossman & Hart, 1986; 1990; Hart, 1995). Property rights theorists propound the argument that public enterprises are inefficient and ineffective owing to the lack of incentives in their

portfolios to deplete financial and resources wastage. These theorists argue that private sector employees militate against wastage and seek profit maximization in their portfolios. They further insist that employees of SOEs do not endure the economic consequence of their decisions therefore red tape is very rife in government enterprises, including SOEs. Property right theorists also believe that to deal with the poor operational performance of the SOEs, it is important to restructure them through privatisation and allow private sector participation in the SOEs (Limbo, 2019).

Some research argues that SOEs are safe in the hands of private owners than government ownership because there are strict rules and regulations of operations and performance management in the private sector. Privatisation theorists argue for the removal of greater state ownership of SOEs by selling some stakes to the private sector. They argue that SOEs can flourish financially and economically if they are operated by a private owner. They believe in the power of the markets and their abilities to efficiently, effectively, competitively, productively, and profitably operate the SOEs, hence, they sometimes argue for full privatization or semi-privatisation of SOEs. This privatisation theoretical thinking is what has led to an array of most privatisations across the world. Privatisation theory argues that state ownership is ineffective and therefore for organisational efficiency and profitability to take place, SOEs must be subjected to a restructuring exercise. This, then implies changes of ownership patterns and mandates. In sum, the rationale for the creation of SOEs changes when a private participant is involved as a major decision-maker and a shareholder in the SOE. From the perspective of a privatisation theorist, SOEs must be privatised and be allowed to operate optimally without government interference and the bureaucratic red tape which accompanies it. Privatisation theory is influenced by

the neo-liberal theory of market economics. Most European countries have resorted to privatization as a panacea to the lack of profitability and productivity in SOEs. The absence of greater competitiveness and efficiency in the operations of SOEs has pushed most governments to restructure in favour of private sector participation. Privatisation has resulted in job losses for many employees. Therefore, from an economic perspective, privatisation is detrimental to the socio-economic lives of the employees or the survivors of these privatisation programmes.

The transaction cost theory is important. In the view of the transaction cost theory, public entities crop up in nations that have problems with severe market fiascos (Limbo, 2019). Other scholars postulate the view that the boundaries of public entities are controlled and influenced by trade-offs between transaction cost savings brought about by government control and additional bureaucratic costs brought about by state organs and units which partake in public enterprises leadership and management (Peng et al., 2016:304-5). In SOEs, employees (agents) endure the effects of any ownership policy shift which the principals (owners: government and private shareholders) may affect or influence. The principals influence the decision to change the rationale or mandate of the SOE and that consequently impacts on the operations of the SOE. Most SOEs have undergone organisational restructuring through downsizing strategies with the result that the employees (agents) were adversely affected by such a decision to restructure through downsizing. The agency theory is used to explain state ownership patterns in SOEs. Limbo (2019:18) concedes that the agency theory indicates the role that the principal conflict between the state and its employees, as controlling shareholders, on the one-hand and citizens as minority shareholders on the other hand, can serve to extend the infests of the former at the

expense of the latter (Chen & Young, 2010; Young et al., 2008; Peng et al., 2016). To Limbo (2019:38), the above implies that in case of conflict between state owners and citizens, the public enterprises managers, state enterprises managers are likely to make decisions to promote the interest of state at the expense of citizens (Faccio, Lang & Young, 2001; Peng et al., 2016). Limbo argues (2019:38) that the presence of multiple block holders in state owned companies may pose or present a constraint on the behaviour of the controlling stake owners and managers (Faccio, Lang & Young 2001; Peng et al., 2016).

Limbo (2019:38), argues that the resource-based theory, which has traditionally focused on market-based resources and capabilities, has been extended to encompass non-market-based political resources and capabilities (Oliver & Holzinger, 2008). This researcher further propounds that political resources and capabilities are key towards the effective and efficient public enterprises operational and symbolic performance (Peng & Macaulay, 2013; Limbo, 2019). The existence and economic performance of public enterprises or state-owned companies has a better chance of improvement in circumstances where, state owned companies themselves can leverage non-market based political capabilities (Limbo, 2019; Peng et al., 2016). All these theories summarise the existence and performance of SOEs in most countries. This background is important because it sets the tone for imparting clear understanding theories which justify the existence of state ownership of SOEs and their performance. The above are the proposed dominant theories of SOEs, in terms of the performance and existence (Peng et al., 2016:301). Poor performance of SOEs has led to their consistent dependence of government bailouts which have resulted in the global call for their restructuring through various methods including restructuring

through downsizing which has culminated in negative impacts for employees of these poorly performing SOEs. With the existence of poor performance, the state (principal) decided on a public policy shift in the ownership and operations of SOEs and hence embracing the concept or policy on SOEs restructuring programmes which have since been the order of the day globally. These restructuring programmes have produced mixed results in different countries. The most important point to note is that the above theories are used to explain and to understand SOEs existence, ownership and performance which are critical for this study as it lays a fundamental background from a historical theoretical perspective. Restructuring of SOEs in every country is a government issue. The implementation of policies, rules and regulations in public enterprises is a governance process and a governance key point. Thus, when there is a policy shift in terms of the ownership, mandate, and rationale to creation of SOEs, it is a corporate governance issue. Restructuring of SOEs through downsizing strategies falls within the domain of corporate governance and therefore, it is critical for this study to examine governance theories which relate to SOEs. This will enable an adequate understanding of the origins and extent of the restructuring of SOEs. Theories impact a grounded approach to governance issues in public enterprises. This will in fact help in the understanding of why governments resort to adoption of SOE restructuring programmes and consequently the impact on employees. The decision to restructure a state-owned enterprise is usually taken by the government (owner), and it is implemented in practise by the SOEs boards and executive management. Such decisions affect the employees (agent) at all levels of their well-being and work. Thus, the agency theory is important in this case because it can aid an understanding of the nature of relations between the principal (governance) and the agents (employees). The principal recruits the agent to perform duties and services, in the fulfilment of

organisational objectives (Fayezi, O' Loughlin, & Zutshi, 2012). Thus, the agent (employee) must perform the services that they are hired to perform in a SOE as part of their agreement. In this relationship the agent can be affected by the decisions taken by the principal such as the decision to restructure the SOE.

The agency theory originates from an economic theory and founded by Alchian and Demsetz (1972) and later developing by Jensen and Meckling (1976). This theory depicts the relationship between the principals (shareholders and agents' employees (Abdullah & Valentines; 2009:91). Directors, middle, lower and senior managers are hired by the principals who are the owners. In South Africa, the government as the major shareholder (principal) employs other persons to do the work of managing the SOE. The shareholder ministry in South Africa (the department of public enterprises) is directly involved with the operations and mandates of SOEs in South Africa.

The model depicts how the relations are structured within SOEs that undergo restructuring through downsizing. The theory postulates that the principals believe that agents (employees) work and take decisions which are in the best interest of the principals since they hired them. The model reflects that agents (employees) have self-interests at work. This differs from one SOE to the other and from one employee to the other thus it cannot be a generalizable principle but generally the agency theory enables us to comprehend the relations of work within SOEs. These relations are impacted on by the restructuring process or the decisions by the principal to restructure.

2.1.3.1 The stewardship theory

Employees of SOEs are stewards. Employees are officials who work for the shareholders (government) of SOEs, to generate profit for the organisation. Employees are trusted to perform their duties by the shareholders. The shareholders trust the stewards to execute their duties in the best interest of the organisation. Under the stewardship theory, there is less emphasis on self-interest or individual interest, but this theory is convinced that when motivated, stewards are crucial towards attainment of SOEs goals and objectives. Motivated stewards impact on the success of SOEs (Abdullah & Valentines, 2009: 20). Stewards are empowered to operate independently without interference from shareholders. They are trusted officers of the SOE and therefore must perform greatly to achieve successful results for the SOE. Stewards are expected to perform very well as stipulated by their performance contracts or employment conditions. Empowerment and trust are contextual and vary from one situation to the other and from one steward to the other. Therefore, there are many variables that may impugn upon the trust of a steward. Policy shifts adopted by the shareholders may change the trust levels amongst middle managers. Thus, employees may not be taken for granted by the shareholders. Employees, from a stewardship theory, are trusted officials who must execute their mandates with utmost commitment to maximize organisational shareholder value and profit. It is important to note that this relationship is not static but dynamic depending on public policy decision adopted by the shareholders. If the shareholders settle for a drastic policy change which may affect employees, then, trust levels fall. The propensity or inclination for stewards to mistrust shareholders who adopt detrimental policy decisions which

affects employees, such as restructuring (which leads to job losses and survivor syndrome) is very high. Thus, stewards may change their allegiance depending on the decisions which the shareholders may take. As will be seen in the study, restructuring through downsizing has negative implications on employees and consequently, their trust in shareholders fades.

Another very useful theory in the debate of SOEs is stakeholder theory. It originates from the management discipline in the 1970s. Its key assumptions are derived from the notion of accountability to stakeholders. Attainment of organisational goals or objectives, inter alia, impact on groups and individuals within the organisation (Abdullah & Valentines, 2009: 91; Wheeler et al., 2002). Boards and management are impacted upon by a network of stakeholders within SOEs (Limbo, 2019). Efficient and effective operations of SOE boards can be facilitated by getting information and cooperation from stakeholders and management. Successful decisions come because of cooperation between boards (representing owners) and all different stakeholder's principles of transparency, efficiency and accountability must be adhered to by the executive leadership of the SOE. Managers in the SOE must work with a network of stakeholders to achieve organisational goals. The visions and missions of most SOEs are bases on fulfilling their mandate of socio-economic growth and development of society. This can be achieved through active interaction with shareholders within and outside the SOE.

The stakeholders' theory advocates that employees in an SOE serve a network of relationships which include suppliers, other employees, business counterparts and other relations that are of strategic importance. Figure 3 depicts a network of

relationship reflected by the stakeholder's theory. A public enterprise is viewed as a system or network of stakeholders operating within a broader system (Abdulla & Valentine, 2009; Traylor, 2006), various stakeholders, as shown by the figure, affect and impact on the organisations. SOEs have a legal concern for other stakeholders ranging from employees, customers, and citizens, in its execution of its stated mandate. Thus, transparency and consultation of different stakeholders when the SOE makes any decision, is very critical. Lack of transparency in SOE decision-making impacts on stakeholder relations particularly the employees and employee trade union organisations. Decision to restructure most SOEs, emanate from the owners (government) and implemented by SOE boards while negatively affecting middle management employees and other segments of employees. The accountability which the stakeholder theory postulates is questionable considering how most employees are affected by the restructuring process. SOEs account to the shareholders and seem to neglect the plight of the victims of the restructuring process. Employees of various kinds are usually victims of restructuring through downsizing, and one wonders about issues of transparency and accountability which this theory professes. In the Spoornet restructuring saga, SATAWU, as a stakeholder claim there was minimal consultation by both the shareholder ministry and board of Transnet hence a plethora of workers strikes which took place in most Spoornet centres across South Africa. Stakeholders are engaged transparently on policy changes in SOEs. Agreements and disagreements are based on the relationships that exist between and among stakeholders, government officials, employee trade union organisations, employer associations, executive management and middle managers are all stakeholders that participate in the discussion on restructuring through downsizing within an SOE. The principle of stakeholder accountability and transparency is key. Scholars and SOE

restructuring experts use the stakeholder theory to examine and define relationship networks between enterprises and stakeholders (Bryant & Davis, 2012). Stakeholders of an enterprise consist of groups or set of groups or individuals necessary towards accomplishing the vision and mission of the SOE in a successful manner (Bryant & Davis, 2012). Corporate strategies are necessary to deal with the problems of other stakeholders (Peters & Golden, 2013). Stakeholders are groups or individuals who can influence the strategic direction of the SOE through their involvement and participation in decision-making organs of forums (Hasna, 2013). This theory also advocates that there are other interested parties in the enterprise apart from the principals (Abboubi & Cornet, 2012). Stakeholder's activities can have an influence on the success of failure of the SOE (Carlon & Downs 2014). The stakeholder theory informs this restructuring study broadly in the widest sense since it postulates some theoretical views which relate to the origins of SOEs mandate, rationale, socio-economic objectives of SOEs and the issues of employees during and after the implementation of the restructuring policies in SOEs. This theory provides the basis for assessing the impact of restructuring on the stakeholders (middle management employee and middle managers) because they are key stakeholders in SOEs. Generally, workers as a major stakeholder's constituency are affected by the decision to restructure through downsizing the SOE. When SOEs leadership accepts stewardship principle of management, organisational success will take place (Pirie & McCuddy, 2007). Stewardship theory is used to denote management as cooperative and supporters of organisational goals rather than self-serving (Boateng, 2016). Under this theory, principals must build solid trust in employees (managers) for purposes of realizing the mission and vision of their SOE (Al Mamun., et al., 2013). Using the stewardship theory (Boateng, 2016:23), scholars assume no difference in motivation

factors between the principal and agent (Eller, 2014). A steward is driven by the desire for cooperation than disagreement (Eller, 2014).

One of the most critical theories used to analyse policy development and governance in SOEs is political theory. Since SOEs are owned by government most decisions on the governance of SOEs are taken politically through voting by stakeholders. The decisions to implement restructuring programmes in SOEs go through a political process. Political decisions and structures influence governance in SOEs (Yusoff & Al Haji, 2013). Political theory concedes that political powers impact on governance in SOEs and consequently most decisions are politically inclined (Nicole & Violeta, 2013). The decision to engage in state-ownership of SOEs began in the legislative arm of government as a form of public policy and then the shareholder ministry (the department of public enterprise) and the policy ministry (the ministry of transport) are two key political principals in the SOEs restructuring project in South Africa.

2.1.4 SOEs restructuring, privatisation and downsizing.

The restructuring of SOEs through downsizing has been practised by many public enterprises facing challenges of weak operational performance. Downsizing is executed to cut the cost of operations and to make the SOE financially viable and sustainable. There are various avenues of SOE downsizing. It is important to understand reactive and proactive (strategic) downsizing. There are proactive and reactive theoretical approaches to downsizing. From a proactive theoretical approach perspective, it involves detailed planning at an organisational and individual level in the pre-downsizing, during downsizing and in the post-downsizing period (Kurebwa,

2011). A reactive perspective or theoretical paradigm focuses on cost reduction with less attention to any alternatives to employee redundancy and hastily created plan for the survivors of the downsizing process (Kurebwa, 2011). Most human resources executives have less time to plan and execute the downsizing strategy and as a result it impacts on the organisational trajectory to downsizing. Scholars argue that the continuum of proactive versus reactive approaches appears somewhat simplistic and prescriptive because it suggests that there is one best way or approach to downsizing with the key to this best practise being planning (Kurebwa, 2011). The environment of downsizing is usually fraught of ever changing economic, business, political and public policy factors, therefore, the high level of unpredictability and uncertainty which makes it highly difficult to do strategic planning for this kind of activity. It is highly impossible for organisations to plan with certainty the implementation of this program. To Kurebwa (2011), communication and making of decisions frequently must be made in the heat of emotional moments and therefore, reactive skills based on sound judgement, perception and insight can be as valuable as a proactive approach.

2.1.4.1 Reactive downsizing

Reactive downsizing process has been a subject of debate amongst scholars for quite some time. Reactive downsizing is very common in all industries and across all countries. This form of restructuring is not only peculiar to companies but to governments and SOEs as well. This form of restructuring known as reactive downsizing is stimulated by exogenous factors and is short-term. It is pursued with the main reason of cutting costs or cost containment. When the organisation is not performing well financially and is always struggling financially, the most prudent step

is to cut the costs of operations. The most serious concern is organisational survival for the survivors when reactive downsizing occurs. Reactive downsizing implies immediate workforce reductions in response to external economic and business events and short term need for purposes of cutting costs of operation immediately. When reactive downsizing occurs, short term impacts on the remaining employees are closely associated with the immediate needs including organisational survival without due concern of organisational vision and mission.

Reactive downsizing as a form of organisational restructuring, is a wakeup call or a stern warning to survivors that the organisation is not well and therefore needs attention. Reactive downsizing indicates clearly that the current operational conditions can no longer be acceptable and therefore change or some form of change has to occur. When company finances dwindle, the only way to rescue such companies in some instances is to engage in workforce downsizing. SOEs are sometimes lucky in this respect because national government normally bails them out by giving them the necessary financial support from their treasury ministries or finance departments. During the period of 2010 – 2017 the government of South Africa, through the department of Treasury, has bailed out most SOEs financially hence calls from the business communities to privatize poorly performing SOEs to lessen their dependence on state funding.

However, companies are encouraged to shift from reactive to strategic downsizing, and even to use different vocabulary from downsizing to resizing, right-sizing, reorganising, streamlining or reconfiguration to prevent the usual negative connotations associated with the word downsizing. Reactive downsizing results in

immediate retrenchments and very little explanation is given to the victims except that the organisation is going through difficult times. It is important to note that it is extremely important to have a good relationship between leaders and employees or employee representative organisations such as unions otherwise naturally reactive downsizing propels eruption of workplace strikes which damage production and productivity consequently impacting on profitability. Reactive downsizing impacts on survivors because their immediate concern becomes organisational survival and job security. In sum, it is important to note that reactive downsizing impacts on survivors because it creates immediate uncertainty and job insecurity with its associated negative emotions, behaviours, and attitudes. Thus, as a form of organisational restructuring, reactive downsizing is detrimental to survivors and even those laid off from the company.

2.1.4.2 Strategic downsizing

Companies have long term visions and missions. As such they have long term goals depicted by their long-term strategic goals or long-term strategic intents or plans. Downsizing can be a strategically planned activity which has a long-term perspective in line with the organisations long term vision and mission. In this case it is called strategic downsizing which means that the focus is on long term strategic goals than short term survival and it, thus, becomes very proactive (Sverke et al., 2008). Naturally this long-term approach aims at reducing the negative short-term effects such as those precipitated by reactive downsizing, while focusing on long term benefits. Under strategic downsizing, employees are laid off gradually and strategically according to a long-term timetable. The workforce reductions are not as abrupt as in the reactive

downsizing process. The negative effects on survivors are reduced because, it is strategically planned and not abrupt. The negative effects on organisational survival are less and lower than under reactive downsizing. Unfortunately, most organisations pursue reactive downsizing in response to external factors such as recession or lack of competitiveness or global competition on products. Strategically planned downsizing aims to lower the impact of the process on the survivors. There is a relationship between workforce reductions with reduced employee wellness. Irrespective of the fact that strategic downsizing is well-planned, the results are the same, employees lose their jobs and others remain as survivors. The challenges of job insecurity with its accompanying negative emotions still impact on the survivors and even the laid off employees. Whether its reactive downsizing or strategic downsizing, or whether, the other one seeks to address short term needs or not, the bottom line is that employees endure the negative effects of both processes. From an employee's perspective there is no lessor evil, both reactive and strategic downsizing processes impact negatively on the employees, (the survivors and the laid off). The survivors endure deeply because they interact with the same institutions and managers every day, post-downsizing. The memories of the good old days when there was no threat of job-losses haunt them and often result in psychological trauma which consequently stimulates ill-health on survivors.

Downsizing is referred to as a conventional management practise in the new world with their new economic trajectories (van Dick et al., 2016). Downsizing produces some positive results although negative impacts on employees are more than the benefits. During and after downsizing most companies register more negative

consequences on survivors than positive ones. On the part of survivors, downsizing stimulates lower levels of commitment, creativity, job involvement, lower performance, highest levels of job insecurity, job strain and higher absenteeism ratios (De Cyper et al., 2010). Survivors endure higher or increased stress levels, guilt, and mistrust for management because they were ill-prepared for such a change of events in their working lives (Petzall et al., 2000). Downsizing is seen as a business reinvigoration tool to resuscitate once glorious companies and enterprises. Some scholars argue that while external factors like economic meltdown propel organisational restructuring in the form of downsizing, other factors play a key role as well.

2.1.5 Characteristics of downsizing

Downsizing is a management-propelled course of action. It does not occur from a vacuum. It is a purposive course of action undertaken by an organisation as a form of change that management decides on at a strategic level. Downsizing is fundamentally and essentially intentional. It is, however, dissimilar to organisational decline or demise which it is sometimes linked to it. In some countries, downsizing is part of a process of restructuring SOEs. It is in fact a natural consequence of adopting restrictive initiatives in the public enterprises sector. The executive leadership of an SOE purposely undertakes restructuring through downsizing initiatives to improve the operational and financial effectiveness by cutting costs of operations. Thus in sum, it is essential to remember that any process of downsizing in any organisation, is intentional and in most cases for SOEs, the intention is gazetted by government and passed as public policy and given to a specific ministry of public enterprises to implement or to a policy ministry and a share-holder ministry, that will in turn give it to

the SOEs to implement under the auspices of the board of directors of those SOEs. Downsizing is a strategic and purposive change which the executive leadership and management deliberately implement in SOEs and other organisations. It is part of organisational plans.

Thus, the first characteristic of downsizing is that it is an intention. The second characteristic is that it ignites personnel reductions at the workplace. Most downsizing SOEs have experienced innumerable staff reductions. Traditionally, big work forces dwindle to very small and manageable lean work force constituencies. Downsizing is not restricted to human resources reduction only but in most cases measures that are pursued to realise organisational downsizing unfortunately impact on the size of employees within the organisation. Measures, like layoffs, voluntary or forced retirements, early retirements, attrition, transfers, out placements and buyouts result in workforce reductions. When new technology is acquired and used in the process of downsizing, naturally jobs are lost within the enterprise, and a smaller size of employees remain with the SOE or the organisation. Thus, it is notable that downsizing initiates personnel reductions in SOEs or in any downsizing corporations.

Another characteristic which is closely related to the preceding one is efficiency improvement characteristic. The management of most enterprises undertake organisational downsizing with the main intension of ameliorating operational efficiency of the SOEs or corporation. Most SOEs are grossly mismanaged by politically appointed individuals who have little or no relevant qualification or experience to run enterprises of such magnitudes, thus they fail ultimately. Such SOEs

are also dogged by systemic and systematic corruption, nepotism, fraud which totally and absolutely cripple their operational and financial performance, hence the need for organisational efficiency improvement. Downsizing can be embarked upon as a measure to forestall the decline of the SOE or organisation. Most SOEs that suffer from operational inefficiency and ineffectiveness, finally decline, so downsizing is a protective strategy to prevent the organisation form collapsing.

The fourth characteristic of downsizing is work process modification. Downsizing is a major game-changer of work processes. When the workforce has been reduced, it therefore means that the same load must be done by fewer employees. These fewer employees must adjust to the quantity of work that exists within the organisation, this therefore, requires some work processes modification or changes. The workload, tasks and duties must be performed by fewer employees. Work processes and procedures must be adjusted and moderated to suit the existing employees left after the employee reduction exercise. In sum, it can be concluded that work processes are influenced during and after downsizing exercise. Suffice to say that in most downsizing or downsized SOEs, work processes have been affected or influenced negatively. Intention, personnel reduction, efficiency improvement and work processes modifications are the main characteristics of any downsizing exercise and therefore constitute the core-defining elements of the downsizing initiative during restructuring of SOEs.

2.1.6 Methods of downsizing

There are five methods propounded by Redman and these are as follows.

1. Voluntary redundancy

This method of downsizing is increasingly being used by employers, even though it is expensive. Employees find this method attractive as the best employees leave because of the demand of their skills, whilst poorer employees stay because they are less marketable. Voluntary redundancy gives the employee a choice and this deal with job loss.

2. Early retirement

Employees opting for early retirement are less likely to re-enter the workforce. There are a few advantages of early retirement, as it is more socially acceptable to be retired than

3. Compulsory redundancy

This method is known as the last resort as it leaves the employee with no choice of their dismissal. Decisions are made by the manager based on the needs of the business. Last in first out (LIFO) redundancy selection criteria protect older employees by virtue of seniority, leaving them disproportionately vulnerable to enforced early retirement under employers' labour-shedding polies (Redman, 2001).

4. Ill-health retirement

Since the 1990s there has been a major increase in levels of ill-health retirement.

5. Natural wastage

This is seen as the most positive and human method of workforce reduction as it gives the employee a free choice in whether to leave or stay and thus it reduces potential for conflict and employees feel powerless. Evidence suggests that this method could depress the workforce morale more than the short sudden approach of dismissal. This form of job-loss is also much more complicated for employees and unions to resist because of its incremental nature (Redman, 2001).

There are three approaches to downsizing strategies. The first one is employee reduction. Employee reduction reduces the number of workers through the instrumentality of redundancy. The other one is work redesigns. Work redesigns involve redesigning roles, tasks, responsibilities, working hours, working stations departments and sections, in short, the organisational structure. Work redesign involves removing functions, hierarchies, divisions products, consolidating and merging units, reducing employee working hours, while systematic changes involve altering or amending or re-engineering the internal and external systems of the organisation which include values, communication lines, production chains in terms of suppliers and customers (Blenel, 2001). Finally, downsizing strategies include systemic change strategies which involve redefining or depicting the downsizing process as an on-going process, as a basis for continuous improvement, rather than as a programme or target. Scholars concede that dependence on employee reduction has a negative effect in terms of corporate cost and quality. The utilization of job redesigns and systemic change strategy yields positive rather than negative results on organisational quality and costs. The foregoing assumption has limitations in terms of questions of causality, an assumption that the impact of downsizing can be

measured, and a narrow criterion of success focused on the organisation's perspective and this claim also conflicts with alternative views in the literature that corporate goals of downsizing are rarely achieved, with share prices of downsized firms tending to decline over time (Redman & Wikinson, 2001:317). The strategy of downsizing is in most cases a top-down approach. Executive leadership, instructed by shareholders or by shareholder ministry or policy ministry carries out the downsizing orders. In the case of SOEs, the shareholder ministry, the ministry of public enterprises instructs the various SOEs under its portfolio to implement the restructuring of SOEs policy framework which is hugely determined by the government and therefore there is very little that executive managers can do besides just implementing the restructuring programme which takes the form of downsizing.

If it is simply private companies, the shareholders will instruct the board to execute the restructuring exercise through executive managers, thus again the process is top-down. There is very little room for negotiating the process. Indeed, a trade union may influence the pace, but they cannot succeed in determining whether restructuring through downsizing must take place or not. In highly unionised industries and countries, during the downsizing process, strikes end up being the order of the day to the detriment of organisational efficiency, effectiveness, greater competitiveness, let alone greater profitability and productivity. In fact, what ends up happening is that downsizing entities incur more financially in damages and legal suits pursed and caused by the striking of unionised employees. In environments where unions are in an alliance or coalition with the ruling party, then the situation is worse because the ruling party must backtrack on the very restructuring program which it has coined up,

thus the whole exercise incurs losses than benefits in public policy terms. Downsizing is the cruellest avenue of endeavouring to attain organisational cost effectiveness, greater efficiency, productivity, and profitability because it negatively affects the remaining employees and the ones who are forced to leave through this strategy (Makawatsakul & Kleiner, 2003). The success of the strategies of downsizing fundamentally depends on the response that the survivors and the leaving employee's project. Their reaction decides the success or failure of the organisational downsizing strategy. Employees are usually socially and psychologically affected by sudden policy changes in their working environment therefore changes in the cognitive and perceptual orientations of the individuals (Chin & Benne, 1994; Allen et al., 2001). Given the foregoing, suffice it to say that survivors' interpretation and perceptions of the downsizing process are of critical significance as well as their status after the downsizing process because this affects organisational effectiveness and efficiency moving onwards (Kurebwa, 2011).

2.1.7 Six strategic principles of downsizing

Various strategies and tactics have been proffered by a plethora of scholars. The scholars argue that these strategies must be applied when implementing the downsizing strategies:

Six strategies of downsizing include:

1. Human Resources must be viewed as an asset rather than costs.
2. An inclusive long-term plan must be established.

3. All employees of the organisation should be allowed to participate the planning stage.
4. Leadership involvement and leadership support is at all levels, always.
5. Transparent communication with employees at every stage.
6. Survivors must be given support as well as those laid off (Gandolfi, 2013).

Given the foregoing employees are critical during the downsizing exercise. Organisations cut costs by reducing the number of employees thus reducing their balance-sheet. Employee reductions are irresistible and unavoidable. Organisational downsizing must be viewed as a strategic plan than a once-off activity otherwise it will not achieve the much-anticipated productivity. Indeed, the balance-sheet can improve greatly as costs can be cut easily by depleting the workforce, viewing it from a productivity level, it is very difficult to ameliorate employee efficiency and effectiveness or employee performance on a short-term basis. Employee performance or organisational performance improvement must be viewed from a strategic long-term perspective and as part of a broader and wider vision of the organisation's revival and renewal strategic plans. Employee participation, which is usually done through their unions, must be stimulated from the conceptualization, implementation monitoring and evaluation level and until the conclusion of the downsizing program implementation. This type of participation goes hand in hand with transparency in communication and information about the process of downsizing at macro-organisational level. The main reason why most trade unions resist downsizing, is that, at the time of downsizing implementation, they have inadequate information about it and the position of the organisation.

CHAPTER 3: SOEs RESTRUCTURING PRIVATISATION AND DOWNSIZING

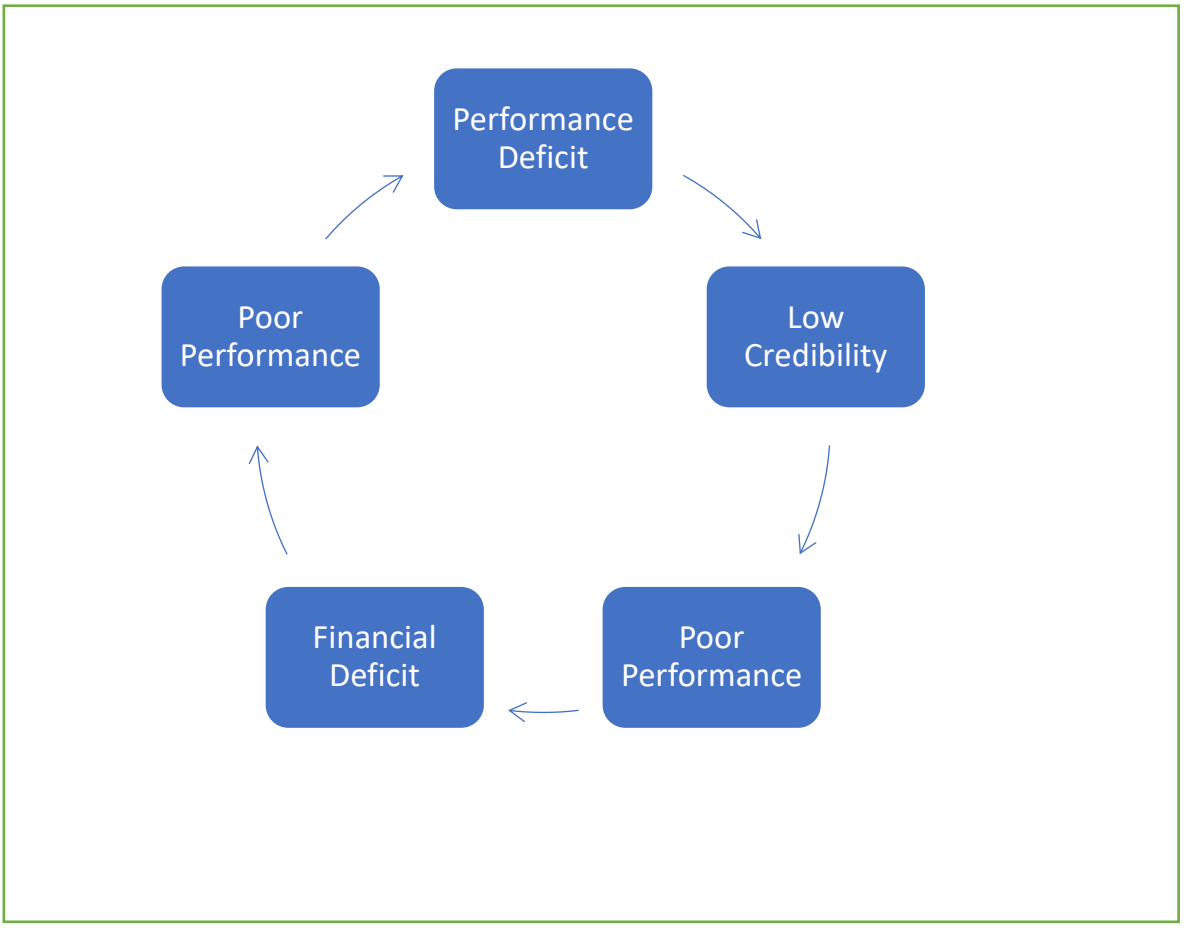
3.1 Introduction

Restructuring through downsizing results in the reduction of the employees of SOEs although others survive and continue working for the organisation. In most restructuring SOEs, employees are reduced to cut the costs of operating the SOE. Before the 1980s, most enterprises were reducing their staff but the interest from researchers was very minimal, “nevertheless in the following years the interest and scientific studies in this area augmented significantly” Gilmore and Hirsch (1983) explain that the interest in the field was not caused only by the financial meltdown of the middle 1970s, but also by the dismissals of a significant number of professional and white-collar workers for the first time in the history of employment (Sabele, 2010). Sabele, concedes the following:

> If we analyse the global industry conditions during the last periods we notice that companies were growing and generating new employment opportunities from the 1950s to the 1970s, however, since the early 1980s the conditions got worse and there were no more opportunities, companies began to feel that they do not need an important number of employees and consequently they started the reduction of their workforce (Sabele, 2010).

To comprehend the evolution of the concept and dynamics of downsizing, it is critical to examine literature on American organisations. Sabele (2010) argues that “originally the US work force was made up of foreign workers and the period from 1800s to the 1930s was distinguished by the focus on the person, self-dependence, and tolerance of the governmental institutions.” The industrial revolution changes in the global economy propelled the enactment of new laws and policies consequently changing the way individual employees saw themselves within an organisation, in so far as labour regulations and standards were concerned (Sabele, 2010). Most of the laws and legislations were pronounced to ensure the operational success of the business and to improve the employee welfare at work. Thus, after the Second World War, the employee conditions of work and welfare improved drastically, and employee welfare programmes were created. Owing to the huge improvement in the economy by 1980, 90% of the US workforce was employed while in 1900, 80% was self-employed (Sabele, 2010). Following that epoch of US prosperity and economic growth was an economic downturn which made downsizing rife, managers and professionals to the tune of one million lost their jobs since 1979 and 3,2 million jobs were lost or cut in Fortune 500 companies, during the 1980s (Sabele, 2010). These massive job cuts affected employees cross-industrially, from the services industry to financial institutions. Originally, the bigger the corporation the better the philosophy was in the reigning industrial thinking, but it was overtaken by the smaller and the better which in that context and thinking, cutting down on staff became natural and embraced by several US companies and corporations (Sabele, 2010). Most SOEs suffer from lack of finance and experience deficits every time. Hence, the need to restructure and to privatize them and ameliorate operational performance.

Fig 3.1: Symptom of performance deficit vs. financial deficit



(Author's Compilation)

Downsizing enables the organisation to revamp itself, shed off its old skin and get renewal in the same manner as an African python which sloughs off its old skin to make way for a new one (a new skin) periodically. It is a change which occurs whether an African python likes it or not. Changing global technologies and economic policies force changes on organisations. Organisations find themselves financially embattled and unable to cope with the global competition from external forces. The result is that they must change their way of doing business. Downsizing is a change that must take

place in any organisation: private, quasi-private, NGO, government or supra-national. Change is not easily accepted by the employees because of the negative effects associated with it. Resistance to change is the biggest problem of any downsizing organisation. In the environment of companies, resistance to change is stimulated by many factors including the urgent need to cut financial costs, failure perceptions and fear of workplace strikes which may result in violence and sabotage (Marks, 2016). Many companies resist change because of the above factors. When all these changes are taking place, companies are advised to consider the trauma which survivors have after downsizing. The traditional top-down approach of human resources management must change to a facilitator one, during times of downsizing. It is thus important to note that when downsizing takes place organisations change forever and therefore the well-being of the survivors should be of key importance. Change is stressful and unsettling for survivors because their future is uncertain and unprotected even in countries with very strong labour laws like South Africa.

When restructuring through downsizing takes place it is very critical to prepare employees and the whole organisation for that change. When preparing to implement any downsizing change the organisation must examine an array of factors including the leadership. Giving importance and recognition to the survivor and the laid off employees - the survivors and even the laid off employees can be a stumbling block to change if they do not feel valued, engaged, empowered, and trusted enough. Trust in organisations must be transparent and honest with their change plans and initiatives if they are to succeed. Participation by all employees and groups is a requirement for the success of any change initiative at the workplace. Finally, one of the most important factors, is recognition of the contemporary economic trajectory in the country

at a macro-level and globally (economic downturns or economic meltdowns or changes in economic policy of a country). WB and IMF agreements can impact on any change a country wants to effect at macro-level, meso-organisational level and at micro levels).

All these facets are critical when organisations are planning for change at present and in the future. Perhaps one of the most critical aspects of any occurrence or planning occurrence of any change, in the form of employee downsizing, is communication. Employees, both victims and survivors, believe that communication is critical when undertaking restructuring through downsizing because it affects workers primarily and fundamentally. Workers are the victims or survivors of this change called employee downsizing that SOEs initiate and implement. Despite communicating the change to the organisation, downsizing has a far-reaching impact on survivors at work.

3.2 Factors influencing SOE restructuring, privatisation, and employee downsizing.

3.2.1 Historical and general factors influencing employee downsizing.

This section focuses on general historical factors and contemporary specific factors which propel SOEs to restructure through employee downsizing. These specific factors include economic factors, institutional, technological, ideological, and organisational innovation. It is significant to understand the main reasons which cause executive management of organisations and SOEs to, during the restructuring process, initiate a downsizing strategy and implement it. Most SOEs face intense competition in the market from other competitors producing the same products or

services. Within the SOE sector, competition from rival corporations is very rife and inescapable, thus the need to cut the costs of operations and compete successfully in the market is fundamental. Most SOEs are characterised by high level indebtedness and experience financial crises frequently and sometimes permanently. To get out of such financial quandary, the executive leadership of SOE, normally takes a decision to downsize. For instance, for SOEs in the railways sector, the competition for transport is very intense because sea, road, pipelines, and air transport are all much modernised and highly attractive as alternatives modes of transport. So, railways owned by the state have made huge losses and continue to make loses. Cutting down on staff is a method to recover costs. SOEs must survive in the market and reduce the costs of operations. This is one of the main reasons for pursuing downsizing as a means of restructuring the SOE. In the early eighties corporations downsized to maintain high level profitability and outwitting competitors. Most SOEs believe that by cutting costs they maintain and retain their survival edge and profitability potential. Most governments incur a lot of huge financial burdens from their SOEs. These SOEs rely financially on the government. However, when governments detect that a particular SOE is a loss-making one, they take a decision to restructure it. SOEs have embraced new technology in their work processes and therefore the need to downsize. Advances in technology in the third and fourth industrial revolution have necessitated the use of more sophisticated technology and therefore SOEs do not need huge or massive sizes of personnel because machines can do the jobs or tasks.

A task that required the use of between three to seven staff members may now just require one staff member and one machine which is technologically advanced. The machine does the job faster or and with remarkable precision because of

computerisation. Cloning means the pressure that organisations are subjected to imitate and become like the prestigious and excellent leading firms. For McKinley (1995), this process legitimizes the process of downsizing. The various theories and models explaining the functions of downsizing make it normal and more acceptable as panacea to problems of SOEs' financial and operational sustainability woes.

Most organisations argue that they downsize to improve employee utilization at their workstations. With new theories and methods guiding job-design and job-redesigns, organisations argue that it is imperative to align their work processes to global best practice methods, some, and most of which are highly influenced by computerization and cutting-edge innovations in all sectors of work and SOEs are no exception (Gandolfi, 2013).

It is important to note that despite the existence of a plethora of broad literature analysis on downsizing, to date, scholars have different views on factors propelling or igniting the downsizing process but there is a general understanding that pursuance of restructuring initiatives in SOEs necessitates downsizings in one way or the other in pursuit of cutting costs and ameliorating organisational efficiency, effectiveness competitiveness and profitability or in simple terms enterprise survival. In other words, SOEs face a restructure / downsize or sink choice.

It was found out that in Canada, for example there was no clear-cut relationship between financial problems and the intention to downsize. It is argued that recession was the main cause of downsizing even if a study of the AMA during the same era showed that 50% of the participants to the survey argued that recessions were not influencing the decision to downsize and that technology innovations, mergers,

acquisitions, and relocation activities influence these kinds of decisions (Gandolfi, 2013).

Downsizing has become an intervention for organisations to demonstrate their flexibility, bureaucratic structure reduction, increase of efficiency towards decision-making, communication improvement, and cultivation of entrepreneurship (Appelbaum, 2011). Downsizing takes place when an organisation makes efforts to increase its competitiveness, efficiency, and productivity by decreasing the number of workers in the organisations (Tzafriet, 2014). Most managers have influence on the ultimate downsizing results by means of their methods, techniques, and tools as well as their influences over employee' reaction (Gandolfi**,** 2013). Globally downsizing has been a normal and common reaction of organisations facing intense competition, thus downsizing has become a common business strategy for corporations facing financial turmoil and performance stress. According to Hellgren (et al., 2012), since the late 1980s nearly all Fortune1000 firms have used downsizing to stay competitive and developments in management and the continuation of using downsizing indicate that the phenomenon will always be used by organisations every time and again. Restructuring and downsizing in the SOE sector of South Africa started in ernest in 1997 when the SOEs restructuring policy was initiated by DPE. Some private sector companies had utilized restructuring and downsizing as far back as the 1990s although staff layoffs were experienced as far back as the 1980s at the height of the apartheid.

Downsizing precipitates a plethora of negative conditions in survivors, including poor job performance, weak organisational commitment, job insecurity, anger, depression,

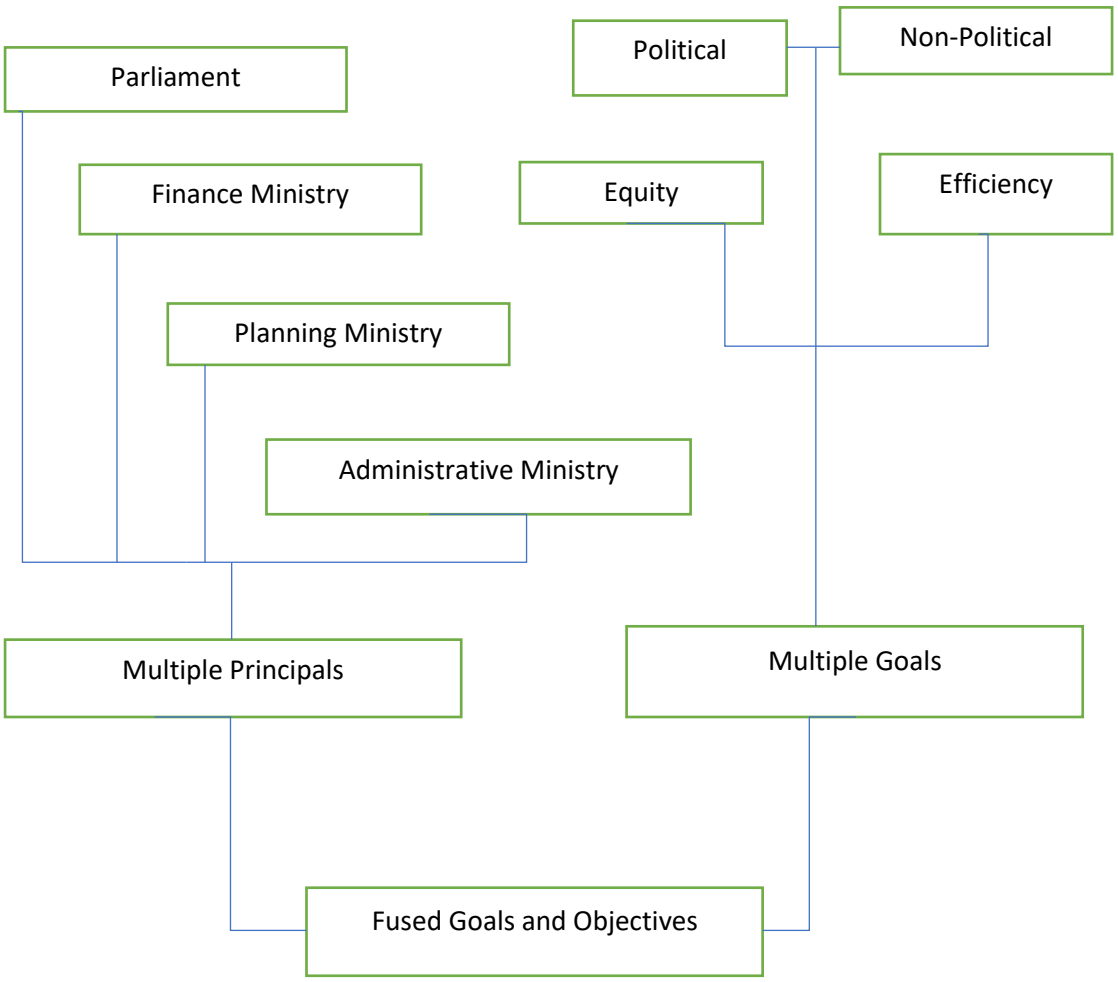
work conflicts, and intention to withdraw from the employing organisation (Gandolfi, 2013). With most of organisations undergoing organisational restructuring, downsizing has become more common place and a problem to employees and their dependants. Downsizing depicts a purposeful reduction in the size of the workforce of the corporation (Cascio, 2013; Spreitzer & Mishra, 2012). Some scholars believe it is essentially part of a process to restructure an organisation. Many terms are used to define it depending on the theoretical paradigm a particular scholar views the phenomenon. Downsizing is the method of reducing and removing people from the organisation and business (Cascio, 2014). Organisational downsizing has become a ubiquitous feature of a great multitude of organisations throughout the industries and post industrialized world (Littler, 2011). For Wolfe (2004), “downsizing is continuing to be a dominant force in organisational development in the 21st century, as companies seek to respond to increasing market pressures, and improve strategic competitive advantage.” Downsizing is probably the most pervasive yet understudied phenomenon in the business world (Cascio,2014). Downsizing utilizes the purposeful loss of people from the workforce to achieve a variety of business objectives, and may combine redundancy, early retirement, outsourcing and attrition (Wolfe, 2014). However, the business objectives of such restructuring may be compromised by inappropriate downsizing methods and on-going management of not only those employees who are terminated, but those who remain in employment (Wolfe, 2014). Downsizing is a set of activities implemented by management of a firm meant to enhance efficiency, effectiveness, productivity and let alone competitiveness (Chew & Horwit, 2012). Downsizing is a deliberate decision taken by the corporation or firm to reduce the workforce with the aim of improving organisational performance (Kurebwa,2011). Downsizing is a predetermined choice by the organisation to

decrease the workforce which in turn, should increase organisational performance (Kurebwa, 2011). Other scholars view the process of downsizing as means to reduce the workforce and make assets redundant and improve efficiency (Robbins, 2012). Organisations engage in the downing process to stay relevant and to eschew being obsolete (Taylor, 2011). For most SOEs in South Africa, the main reason why the downsizing process took place, was a matter of policy and principal because government had passed a national policy on the restructuring of SOEs, thus, most SOEs could not resist downsizing as part of the restructuring of SOE trajectory.

SOEs have a problem of multiple reporting channels and many hierarchies to report. Their mandates are multiple, and this makes their work difficult, thus the need to restructure them. The following table reflects the problem of multiple mandates and reporting channels.

Fig 3.2: Multiple goals and multiple structures of accountability

Multiple Principals with Multiple Objectives



(Author's Compilation)

In SOEs, the cutting of the size of workforce, accustomed with the restructuring downsizing process, meant cutting of operational labour costs for the restructuring SOE. The budget for salaries of workforce reduces when downsizing occurs because the firm normally remains with a small and lean workforce. The challenge, however, is new work processes re-alignment and consolidation of new organisational milieu post and during downsizing, since organisational downsizing is a totally unsettling process for all levels of operations in the enterprise. In South Africa, due to lack of expertise most SOEs have used private consultants to facilitate the restructuring and downscaling process with the result that huge financial expenditures were incurred in

paying the private consultants. Organisational downsizing implies some form of reorganisation or restructuring, or some type of strategy to streamline, tighten and shrink the organisational structure with respect to the number of personnel that the organisation employs (Halley, 2011). From another perspective, downsizing can be viewed as organisational restructuring in which permanent employees are replaced with non-full-time workers and the reduction of hierarchical levels in the organisation, in a bid to create high levels of efficiency and managerial fluidity and operational flexibility. SOEs downsizing may occur intentionally as a strategic, proactive response designed to improve effectiveness and this may involve mergers, acquisitions, sell-offs, privatisation, or restructuring to better enable the organisation to realize its vision and mission (Kozlowski, 2013).

Organisational downsizing and restructuring are a common response to changed economic circumstances and other environmental influences, with organisations implementing these changes to improve their effectiveness (Sitlington, 2010). Whilst downsizing is one of a range of strategies that may be implemented to attain a novel structure, it is also a term closely associated with restructuring in the minds of the employees (Sitlington, 2010). Sitlington (2010) concedes that some employees in organisations conceive the term ‘restructuring’ as a code used by managers for the harsher reality of downsizing resulting in job losses. While the terms used are theoretically distinct in the work milieu, they are often used interchangeably and have been treated as one term in previous literature (De Cuyper, 2015). Restructuring or downsizing culminates in changes in the organisation structure and work processes for any SOE. SOEs can never be the same after and during the downsizing process. The number of staff per function or per task or in a department or section decreases

or is reduced intentionally by the management. Thus, staff reduction is, in total, purposeful and intentional. Downsizing engenders changes in the workforce size and ultimately resulting in cost-savings by the SOE.

Staff downsizing is an avenue for sickly corporations to shed off some employees in face of weak demand, but soon, firms which intended to increase shareholder value even further adopted the strategy (Lurie, 2010). Downsizing is a process that involves the reduction of an organisation's staff complement through restructuring, retrenchment, re-engineering, or any other similar activities (Lurie, 2010).

3.2.2 Specific factors which influence soes restructuring, privatisation and employee downsizing.

3.2.2.1 Technology, digitization, and innovation factors

Changes in technology, innovation and rapid automation have caused may SOEs to restructure through employee downsizing. Advances in technology and digital technology have influenced most SOEs to adopt to new changes on the production line. Manualisation of work has drastically been reduced. Jobs that used to be performed manually faded off in favour of computer-powered occupations. Technology and innovation advancements globally have influenced organisational employee layoff because some positions became redundant during a restructuring process (Datta et-al., 2010). The emergence of e-commerce and e-technologies have impacted on the number of employees an organisation can maintain and sustain financially. E-commerce influences downsizing of the workforce (Moorad, 2013). In the railways sector, consumers now purchase tickets online for the whole year or semi-

annually. Machines are used to sell tickets unmanned. The logical and most natural thing that occurs is employee reduction. These self-service machines and devices, reduce the need for more staff at work. Advances in technology and e-commerce, influence organisations to reduce the size of employees at work. When organisations undertake modernization processes, they adopt newest fourth industrial revolution technologies some of which influence work-processes and consequently propelling executive management of organisations to adopt downsizing approaches or reforms. Technology replaces man. Employees are periodically affected by changes in innovation and technology levels which permit work to be performed faster and easier with greatest precision by machines and digital agents. While these advances in technology are exciting for shareholders or shareholder ministries or agencies, they are a nightmare to the workforce. The most obvious benefit faster production levels and less labour costs. The emergency of e-department, virtual departments and sections of firms facilitate efficiency and greater productivity, but this desecrates downsizing of the workforce. Technology and innovation propel reduction of unit costs of production ricin by lower wastage levels and electronic and digital efficiency which have replaced man. Some scholars contend that increase in automation is a threat to worker as it increases chances of jobs losses as well as limiting workers' already fragile bargaining powers (Smith et al., 2018). The scholar further argued that the owner of Amazon made $2.8 billion in one day after his company introduced technology that wiped out the jobs of cashiers. (Smith et al., 2018). The scholar further questioned that "while the business press lauds the owners' entrepreneurial spirit, should we not consider the social impact of the job losses that result?" (Smith et al,2018). The scholar has a valid point that most corporations downsize segments of their workforce because of industrial automation, innovation, and advanced use of

technology in various categories of work processes at all levels of the firm or organisation. In sum, suffice it to say that organisational downsizing is influenced by automation and the need to enhance greater profitability in organisations.

3.2.2.2 Institutional and organisational factors

There are also institutional internal forces which influence adoption of the downsizing trajectory in organisations and SOEs. Organisations embark on a process of employee layoffs owing to concerns by shareholders on the financial health of the firm or legal and institutional or legislative compliance issues, including issues of relevance, black economic empowerment, and representation at all levels of the organisations (Burden & Roodt, 2012). Poor performance of business units, executive decisions on firms' growth, mergers and acquisitions, duplication of roles, lack of effectiveness, poor profitability, and lack of global or local competitiveness influence the decision to downsize the organisation (Burden & Roodt, 2012).

Redman argues that when mergers and acquisitions occur, streamlining of positions occurs and some positions are removed in line with organisational new strategic goals. The process ignites downsizing (Redman, 2011). When organisations undergo restructuring through privatisation, they downsize while preparing for the new private owners or after the privatised units are established, the new employers come with teams thus replacing others. Privatisation is a process of selling to private ownership business units that have incurred declining profits and massive costs. The aim is to make such units, or such enterprises are more viable financially and to improve their performance to cut operational and production costs. Most SOEs in South Africa have

incurred huge operational costs with the result that government always subsidized and bailed them out financially. Calls for downsizing became uncommon. The need to engender financial viability propelled most SOEs to downsize to reduce enterprise operating and production costs. Within the South African economy, a national public policy on accelerated restructuring of public enterprises was adopted and therefore SOEs embarked on processes of downsizing, stemming from the pursuance of the policy of restructuring of SOEs. Government aimed at improving the financial viability of SOEs by embanking on SOEs restructuring which precipitated massive downsizing in the SOE sector. Temporary and casual labour is cheaper to use on non-core business activities of the enterprise. Thus, most SOEs resort to using casual labour after downsizing. In the railway-sector SOEs, cleaning, catering and security services are non-core business activities, therefore staff members in these departments are regarded as non-core employees. Downsizing activities normally involve the reduction of such type of employees. The SOE benefits financially by reduction of non-core business employees. The budget on salaries constitutes a bigger part of the SOE's budget, thus, cutting on labour costs results in huge financial savings and reduction of overall costs of the organisation. SOEs form alliances or partnerships with enterprises performing similar business or units of other firms doing the same business. In doing so the overall costs are reduced because business duplications are prevented by job realignments and redesigns with the result that employees performing similar tasks or roles face major changes at work. Role duplication is reduced by downsizing in such areas. Costs of salaries are cut, and firms benefit financially. Shareholders, shareholder ministries and agencies believe that downsizing reduces costs and increases returns (Voung, 2012).

Lurie (2010) believes that from the strategic positions of trade unions and their members, downsizings or downsizing games between the management and the owners, determine firm's values, in which one of the strategies impact the level of employment. Accordingly, downsizing is motivated by the desire to attain flat, flexible, and leaner working organisational structures (Gandolfi, 2013). Removal of positions and hierarchies through retrenchments engender greater and better sustainable organisational environment capable of flourishing innovation and new ideas (Ross, 2014). Mergers and acquisitions, alliances and partnerships will merge roles and create singular lines of authority and communication which are advantageous for any organisation. The other benefit of downsizing is that once the serving employees perceive the whole process to have been important and essential for the survival of the firm, they support the strategic vision and mission of organisation. Muirhead argues that downsizing orchestrate greater teamwork, employee multi- skilling, new ideas and a better workforce (Gandolfi, 2013). New ideas are critical for the survival of any organisation. New ideas which are usually by-products of most downsizing programmes, can result in fresh approaches to new project management in the downsized enterprise (Sundaram & Inkpen, 2014). Within the South African SOE sector, restructuring programmes which propelled massive organisational downsizing, resulted in broader black employee's representations in management layers which were historically dominated by minority races during apartheid colonialism era. Government policies encouraged restructuring of SOEs so that the new organisation is broadly representative of the population of South Africa. More black individuals got appointed to better and senior positions in the new downsized organisations.

Given the foregoing, it can be noted that institutional factors and organisational factors play a key role in the determination by SOEs and other organisations in general to implement employee downsizing exercises. Internal organisational policy issues affect the choice to adopt an employee-reduction trajectory which affects both the remaining employees and the departing ones. Many SOEs are affected by the so called global best practice in terms of organisational management and policy implementation. Lean organisational hierarchies are the order of the day in the present-day world. Most SOEs have suffered decades of overemployment and therefore are overstaffed, thus they consumed a greater significant part of their budgets on salaries and compensation. Their labour costs are higher and were consistently and continually depending on government financial bailout to remain operational. Employee downsizing is viewed as the solution.

3.2.2.3 Economic and commercial factors

The trajectory of downsizing in organisations is informed categorically by varying views. Organisations embark on eliminating of jobs for reasons and with the aim of achieving specific business and financial outcomes. Organisations are influenced by the need to ameliorate labour flexibility in the organisation owing to pursuance of depreciation policies such as restructuring policy programmes adopted at macro, meso or micro levels of the organisation. Some scholars categorise the factors which propel organisational downsizing as environmental, institutional, or organisational.

Environmental influences include economic meltdowns or recessionary tendencies in the economy and natural disasters which include epidemics. During an economic crisis

or an economic meltdown, the patterns of service or product consumption experience huge negative variations. The consumption, decreases, thus, consumer spending on the service or product offered by the organisation goes down and the organisation naturally experiences less profitability and less competitiveness. The sales exponentially become low, and this is costly to any organisation ranging from SOEs to private sector ones. To cover up for the losses and dwindling sales, organisations adopt downsizing strategies which ultimately culminates in workforce downsizing or staff reductions to improve the balance sheet. Labour costs are reduced through employee downsizing. Permanent staff members are usually reduced because organisations prefer seasonal staff to cut labour costs thus improving their financial status. Economic meltdowns (EMDs) or recessions impact on the economic performance of the SOE, hence the need to restructure work processes through, but not limited to, workforce downsizing. The performance of organisations or enterprises can be flagged by incurring high operational financial costs annually and consecutively. Executive managers decide to improve the situation by cutting the budget of salaries of permanent employees. When organisation experience huge financial costs in their labour budget, they pursue casualization: outsourcing of temporary tasks to minimize the core size of organisational employees (Stafford, 2013). The South African labour market labour legislation has protected the rights of temporary staff members of firms and their benefits as well. If a worker, completes six months in a job, he, or she, is entitled to enjoy, in the second six month going forward, the same benefits as permanent employees of an organisation. This has, however, far from protecting the welfare of employees, orchestrated more employee reductions (Stafford, 2013). There are many factors which influence adoption of restructuring

through the downsizing trajectory in SOEs globally. In sum, these factors range from purely commercial to economic factors which are global and local in nature and scope.

Table 3.1: Key factors which influence SOE restructuring, privatisation and downsizing.

KEY FACTORS	KEY FACTORS	KEY FACTORS
•declining demand •cutting costs •increasing earnings •limitation of competing firms •removal of customary practice •government policies •digitilisation and fourth industrial revolution	•globalisation and global competition •differences in labour costs •industry conditions •workforce pool •technological changes •IMF/WB prescriptions •economic meltdown	•stock market improvements •mergers and acquisitions •corporate governance practice •CEO demographic characteristics •HR policies •Automation and innovation

Source: Cascio (2014: 5)

Corporates downsize to lower their costs and to increase more profits and revenues (Cascio, 2014). Organisations downsize as a response to internal and external stimuli (Cascio, 2014). There are internal and external factors that propel downsizing. Organisations are propelled to downsize by a multiplicity of factors ranging from improving performance (Gandolfi & Hansson, 2015), economic reasons, ameliorating productivity (Jivan, 2012), depleting costs, ameliorating efficiency (Monteros & Bravo, 2012), clinching a competitive advantage and attainment of continuous overall success (van Dierendonck & Jacobs, 2012). The most overarching reason for downsizing has been – and continues to be – performance related.

Organisations are stimulated by different reasons when taking a decision to downsize (Chhinzer & Currie, 2014). The scope of downsizing differs from one organisation to the other and from whether the organisation is fully private, semi-private, NGO**,** or a supra-national institution like World Bank / IMF / WTO. Thus, downsizings range from large-scale, medium scale to small-scale in different economic and business environment (Brayer & Laamanen, 2014). The need to ameliorate organisational efficiency and effectiveness levels usually stimulates the organisations to pursue downsizing initiatives (Goesaert, Heinz & Vanormelingen, 2015). When companies focus on improving financial performance on short term, the problem is that organisations may not improve productivity by so doing and they may incur the opposite negative effects.

3.3 Downsizing process, merits, planning, and strategies

3.3.1 Benefits and merits of downsizing

Downsizing has some benefits institutionally. Cascio (2014) concedes that employees are replaceable and interchangeable with one another and that the process of downsizing during or after restructuring enables it. Employees form the biggest resource component of the enterprise and therefore consume a bigger share of the organisational finances so reducing employees enables the organisation to save costs of operation and production. Downsizing the workforce results in cutting of costs financially and this may enable the organisation to stay afloat instead of sinking during economic restructuring epochs or during economic meltdown times. Reducing employees through a downsizing strategy helps to trim down the payroll costs and this increases financial profitability on a short-term basis. There is always a tendency to

reduce labour to ameliorate financial performance, effectiveness, and efficiency. (Vehtera et al., 2010). When faced with financial problems, most organisation sell-off most of their business units or even the machinery and ultimately the firm itself. This is very painful as compared to just downsizing a portion of the staff complement. Downsizing a layer or a portion of employees boosts cash flow levels and cuts staff costs. This is beneficial to the overall financial performance of the enterprise. SOEs benchmark their activities and performance globally. This leads them to engage in comparative business analysis of the trends in a particular sector in terms of costs and cost structures, competition, and competition patterns (Cooper, 2011). Companies rely on non-full-time employees for activities and work which they consider to be non-core business. Casual labour and temporary labour are cheaper than full time because fulltime employees have many financial benefits which may increase the balance sheet. Grimshaw argues that the downsizing strategy may result in a positive result on organisational performance and efficiency on a short-term basis. The reduction of the organisational workforce culminates in the lowering of labour costs and an improvement of the balance sheet.

3.3.2 Downsizing theory, planning, methods, and strategies

The analysis of downsizing is three-pronged. Downsizing can be approached from a macro-level, meso-organisational and micro-level (Cameron,1994). Studies on corporate mergers and acquisition or on divestitures are all at macro-level analysis. These different levels of analysis help to understand the phenomenon of downsizing which is sparked by the implementation of SOE restructuring or any form of organisational restructuring in the public or private sector. At the meso- organisational

level the emphasis is on the modus operandi and the impact on organisational performance. Very few studies have been undertaken by scholars to investigate the downsizing strategy implantation at this level, in other words, the meso-organisational level (Cameron et al., 2013). However, at the micro-organisational level a sizeable number of studies have been commissioned and done. The psychological impact of job losses because of the downsizing process cannot be underestimated. Thus, it is important to note that downsizing can be viewed from a macro, meso or micro-organisational level.

3.4 Planning for downsizing

Tomasko (2012) has identified the five general principles that have been long practised by companies in the planning for the downsizing process, namely:

- Start before you have to a manager who can deal with situations daily, is able to stop future problems from taking place.
- . Prepare for the downsizing process – once job elimination has been conducted, the most difficult task is to keep the organisation on track by running lean. Organisational and system changes need to support downsizing and task forces need to help in this regard.
- . Use a rifle, not a shotgun – “when an organisation changes the structure, it becomes necessary to assess each in isolation and then divide where the excess staff can be located.
- . Continually managing size and shape – this is the most complicated step to perform, since it is imperative that the procedure must be followed through, the

organisation needs to stay lean, and the organisation must be committed to preventing non-essential layers from developing.

- . Go after more costs and jobs, organisation need to be aware of the goals of downsizing and must make certain that short tern benefits become long term benefits. This means that changes need to be made to the organisational structure, compensation system, career ladders, hiring and training practises also to the overall corporate strategy (Didonato, 2011). When an organisation is planning to downsize, it is essential that employers follow a checklist in the planning phase (Band & Tustun, 2010).

Checklist of planning phase includes:

1. defining the appropriate workforce structure to maintain the company's competitive position.
2. conducting a skill analysis.
3. matching the existing skills of the workforce structure to the skills needed.
4. evaluating the current human resource management practises.
5. recognising the critical HR areas of concern.
6. establishing alternatives to address the critical HR issue such a layoff. freezing recruitment, training etc; and
7. considering the positive and negative effects of the alternatives (Band, 2010).

In addition to the checklist, managers can also refer to the general principles when planning the downsizing process.

3.4.1 Four steps of planning

3.4.1.1 Step 1: Making the decision to downsize.

Decisions must be made with extra caution regarding downsizing; managers must first consider all alternatives such as shortened work weeks, elimination of working over the weekends and public holidays and unpaid leave before considering layoffs (Makawatsakai & Kleiner, 2013).

3.4.1.2 Step 2: Planning the downsizing.

Organisations must first establish a cross-functional team to plan and implement downsizing. Managers must be trained to communicate the downsizing announcement empathically and convincingly (Makawatsakai & Kleiner, 2013).

3.4.1.3 Step 3: Making the announcement.

Organisations must be open and honest about why the company decided to downsize and show concern to both the victims and survivors (Makawatsakal, 2003).

3.4.1.4 Step 4: Implementing downsizing.

Throughout the implementation process the organisation must be prepared to face an extensive array of questions and concerns. The remaining employees must be trained and made aware of changes in their duties and responsibilities, whereas the victims

of downsizing must be assisted, and possible alternate jobs could be found for them (Makawatsakal & Kleiner, 2013).

3.5 Methods of Downsizing

There are five methods propounded by Redman and these are as follows:

3.5.1 Voluntary redundancy

This method of downsizing is increasingly being used by employers, even though it is expensive. Employees find this method attractive as the best employees leave because of the demand of their skills, whilst poorer employees stay because they are less marketable. Voluntary redundancy gives the employee a choice and this deal with job loss.

3.5.2 Early retirement

Employees opting for early retirement are less likely to re-enter the workforce. There are several advantages of early retirement, as it is more socially acceptable to be retired than

3.5.3 Compulsory redundancy

This method is known as the last resort strategy for employers, as it leaves the employee with no choice of their dismissal. Decisions are made by the manager based on the needs of the business. Last in first out (LIFO) redundancy selection criteria

protect older employee by virtue of seniority, leaving them disproportionately vulnerable to enforced early retirement under employers' labour – shedding polies (Redman, 2001).

3.5.4 Ill-health retirement

Since the 1990's there has been a major increase in level of ill-health retirement. It is urged that is a consequence of intensification of work and also be associated with the increase of stress level, resulting in a more long-term sickness.

3.5.5 Natural wastage

This is seen as the most positive and human method of workforce reduction as it gives the employee a free choice in whether to leave or stay and thus it reduces potential for conflict and employees feel powerlessness. Evidence suggests that this method could depress the workforce morale more than the short sudden approach of dismissal. This form of job is also much more complicated for employees and unions to resist because of its incremental nature (Redman, 2001).

3.6 Downsizing strategies

There are three approaches to downsizing strategies: the first one is employee reduction. Employee reduction reduces the number of workers through the instrumentality of redundancy. The other one is work redesigns. Work redesigns involve redesigning roles, tasks, responsibilities, working hours, working stations

departments and sections; in short, the organisational structures (Cameron, et al., 1994). Work redesign involves removing functions, hierarchies, divisions products, consolidating and merging units, reducing employee working hours, while systematic changes involve altering or amending or re-engineering the internal and external systems of the organisation which include values, communication lines, production chains in terms of suppliers and customers (Blenel, 2001). Finally, downsizing strategies include systemic change strategies which involve redefining or depicting the downsizing process as an on-going process, as a basis for continuous improvement, rather than as a programme or target (Cameron et al., 1994:199). Scholars concede that dependence on employee reduction has a negative effect in terms of corporate cost and quality. The utilization of job redesigns and systemic change strategic yields positive rather than negative results on organisational quality and costs (Mishra & Mishra, 1994). The foregoing assumption has limitations in terms of questions of causality, an assumption that the impact of downsizing can be measured, and a narrow criterion of success focused on the organisation's perspective and this claim also conflicts with alternative views in the literature that corporate goals of downsizing are rarely achieved, with share prices of downsized firms tending to decline over time' (Redman & Wikinson, 2001:317). The strategy of downsizing is in most cases a top-down approach. Executive leadership, instructed by shareholders or by shareholder ministry or policy ministry carries out the downsizing orders. In the case of SOEs, the shareholder ministry, the ministry of public enterprises, instructs the various SOEs under its portfolio to implement the restructuring of SOEs policy framework which is hugely determined by the government. Therefore, there is very little that executive managers can do besides just implementing the restructuring programme which takes the form of downsizing as far as human resources is concerned. The policy ministry,

in this case the various ministries in which the SOEs operate, ensure that government policies which relate to that entity are executed.

If it is simply private companies, the shareholders will instruct the board to execute the restructuring exercise through executive managers, thus again the process is top-down. There is very little room for negotiating the process. Indeed, a trade union may influence the pace, but they cannot succeed in determining whether restructuring through downsizing must take place or not. In highly unionised industries and countries, during the downsizing process, strikes end up being the order of the day to the detriment of organisational efficiency, effectiveness, greater competitiveness and let alone greater profitability and productivity. In fact, what ends up happening is that downsizing entities incur more financially in damages and legal suits pursed caused by the striking of unionised employees. In environments where unions are in an alliance or coalition with the ruling party, then the situation is worse because the ruling party must backtrack on the very restructuring program which it has coined up, thus the whole exercise incurs losses than benefits in public policy terms. The harshest form of restructuring that workers experience at work is downsizing through the employee reduction strategy. It is the cruellest avenue of endeavouring to attain organisational cost effectiveness, greater efficiency, productivity, and profitability because it negatively affects the remaining employees and the ones who are forced to leave through this strategy (Makawatsakul & Kleiner, 2013). The success of the strategies of downsizing fundamentally depends on the response that the survivors and the leaving employee's project. Their reaction determines the success or failure of the organisational downsizing strategy. Employees are usually socially and psychologically affected by sudden policy changes in their working environment,

therefore, changes in the cognitive and perceptual orientations of the individuals (Chin & Benne, 1994; Allen, et al., 2001). Given the foregoing, suffice it to say that survivors' interpretation and perceptions of the downsizing process are of critical significance as well as their current status after the downsizing process because this affects organisational effectiveness and efficiency moving onwards (Kurebwa, 2011).

3.6.1 Six strategies by Gandolfi

Various strategies and tactics have been proffered by a plethora of scholars. The scholars argue that these strategies must be applied when implementing the downsizing strategies as a form of restructuring organisations.

3.6.1.1 Six strategies of downsizing

1. Human Resources must be viewed as an asset rather than costs.
2. An inclusive long-term plan must be established.
3. All employees of the organisation should be allowed to participate the planning stage.
4. Leadership involvement and leadership support at all levels as at all times.
5. Transparent communication with employees at every stage.
6. Survivors must be given support as well as those laid off (Gandolfi, 2013).

Given the foregoing employees are critical during the downsizing exercise. Organisations cut costs by reducing the number of employees thus reducing their

balance-sheet. Employee reductions are irresistible and unavoidable. Organisational downsizing must be viewed as a strategic plan than a once off activity otherwise it will not achieve the much-anticipated productivity. Indeed, the balance-sheet can improve greatly as costs can be cut easily by depleting the workforce, viewing it from a productivity level, it is very difficult to ameliorate employee efficiency and effectiveness or employee efficiency and effectiveness or employee performance on a short-term basis. Employee performance or organisational performance improvement must be viewed from a strategies long term perspective basis and as part of a broader and widest vision of the organisation's revival and renewal strategic plans. Employee participation, which is usually done through their unions, must be stimulated from the conceptualization, implementation monitoring and evaluation level and until the conclusion of the downsizing program implementation. This participation goes hand in hand with transparency in communication and information about the process of downsizing at macro-organisational level. The main reason why most trade unions resist downsizing, is that, at the time of downsizing implementation, they have inadequate information about it and the position of the organisation.

3.7 The negative impact of employee downsizing on surviving employees

This section focuses on the negative impact of employee downsizing on employees of enterprises and organisations. However, specific attention is paid to the surviving employees and the negative consequences to them. To achieve this, specific key human resources variables are examined. These include job insecurity, employee turnover intention, job performance, increased workload and working hours, employee low morale and job dissatisfaction, career development and job promotion

opportunities. It is critical to commence with the concept of survivors and survivor syndrome to come to grips with the negative impact of employee downsizing in SOEs. Most scholars argue that executive management overlooks the psychological effect of downsizing in terms of attitude and emotions (Kurebwa, 2011). Most survivors suffer from frustration, anxiety, resistance, stress, trauma, depression, 'wait and see," attitude, a status referred to as "survivor syndrome" **(**Kusum, 2014). The remaining employees who survived or escaped the wrath of organisational downsizing, are unfortunately the biggest losers because they suffer disillusionment, frustration and insecurity as compared to the victims of downsizing. The victims of downsizing are better because they are laid off and they get their packages and go but the survivors of downsizing, think that they have survived but they endure the survivor syndrome. The survivors get depressed by the environment because, the workforce has been reduced to a minimal which the budget of the downsizing organisation can afford but however, the survivors are haunted by the loss of their colleagues and co-workers some of whom they have known for many years. For the survivors of downsizing strategy, the process affects them as far as career development is concerned because the survivors are hardly informed about the official developments regarding the whole process of downsizing. They just see things just unfolding therefore they become anxious about future and their place in the newly downsized organisation. The survivors also worry about the new performance standards, the key personnel existing networks who were either leaving the organisation, extra work demands, and the value of their expertise to the new organisation and the existence or lack of opportunities for advancement (Isabella 1989). The implementation of restructuring in the form of downsizing the workforce has negative impacts on human resources namely, the victims, the survivors and those that implement the downsizing policy once it has been

adopted by the SOE or government. Much of the negative effects are experienced by the survivors as well as those who are laid off. The concept of survivors originates from the Jewish Holocaust literature in which studies focused on the survivors of the holocaust (Guiniven, 2001). The survivor syndrome concept originates from such literature (Talwar, 2015). The implementation of the workforce downsizing strategy tragically affects those employees who survived the wrath (Talwar, 2015). Most of the focus was on the employees who are laid off during the implementation of the downsizing policy (Talwar, 2015). When the implementation of downsizing strategy commences, most vulnerable employees lose their jobs because of the new operational requirements, but some employees survive. Thus, managers and the organisation must shoulder the burden of ensuring that the remaining staff are well and fit for duty (Sunitha, Jahangir, & Kumar,2015). The major problem of most organisations, after the implementation of the downsizing strategy is the surviving employees because they get devastated emotionally physiologically and psychologically (Talwar ,2015). Some scholars contend that downsizing per se, is not the direct causality but the avenues of its implementation in the organisation (Talwar, 2015). There is general agreement amongst scholars that research the downsizing strategy and survivor syndrome.

3.7.1 Survivor Syndrome concept

Survivor syndrome is an aftermath of a restructuring form called downsizing. This form of organisational restructuring permeates across all organisational forms. Survivor syndrome involves the repercussions that are endured by the employee who remain with the organisation after the wave of downsizing has swept across the organisation.

The employees who are not downsized and continue to be in the employment of the organisation are called survivors. Past research has tended to focus on the laid off individuals than those who remain behind. The employees who employment remains exterminated are severely traumatized emotionally, psychologically, and even physiologically. The negative effects include weak productivity levels, crippled and annihilated relations, feeble social support, low trust levels, poor and lack of organisational commitment, and generally negative work-related behaviours arrowed by job insecurity. The remaining employees grieve, mourn, feel guilt, and are embroiled in endless fear about the future. Most researchers have tended to focus on what should be done to the terminated employees, but little research has been done if the future of survivors. It is very important to give attention to those that have survived is the positive results are to be attained.

Most scholars agree that those employees who survive the scourge of work force downsizing are the victims than those who are terminated (Noer, 1993). Owing to the thinking that those whose jobs were lost are the victims, programmes and research was mostly done to develop policy guidelines to support the laid off employees like severance packages, re-training, and re-employment and even counselling.

Downsizing has negative effects to the organisation and those who are called survivors. Survivors display many symptoms discussed at length in the thesis as a lot of negative organisational outcomes are experienced. There are two theories which used to explain the survivor syndrome. The two theories are Becker's side Bet Theory and Burke's Identity Theory. These two theories have crucially shed light into the

phenomenon of survivor syndrome which grips the non-terminated employees after the implementation of the downsizing policy program.

3.8 Theories of Survivor Syndrome

The theory postulated by one scholar is called Berker's side Bet theory which postulates that employees make emotional and psychological investments in companies of organisations they work. These investments are very significant in the life of employees and are sadly lost after employment termination. The theory argues that unless the gains benefits or profits of departing from the organisation can outweigh these costs, an employee is strongly encouraged to stay within the company. In cases where the costs of remaining as an employee of the organisation are regarded as higher than benefits of leaving, the employee is less likely to experience job accustomed behaviours.

When this theory is applied to workforce downsizing, it relates very well because it posits that employees who have emotionally and psychologically highly invested in the organisation are less likely to wish or contemplate to leave. Thus, such category of employees is negatively and profoundly affected by restructuring in the form of downsizing since they had positively and largely invested in the organisation. The Berker's Side Bet theory stipulates that the longer the employee stays with the organisation the older they grow into the organisation, the more they become attached to the organisation and hence, investing in the organisation. Such employees are most

likely to suffer the survivor syndrome in the wake of the implementation of a downsizing process if they survive. The syndrome impacts on them negatively and profoundly. However, sometimes some old age employees may not have a problem with the downsizing policy because they will accept voluntary early retirement because of their age. In sum, this theory postulates that employees are attached to their organisations over years of emotionally and psychological attachment and are more likely to be impacted negatively by downsizing as survivors.

The other theory which relates to the survivor syndrome is called Burke's Identity Theory. This theory's underlying thinking is based on individual differences in the importance placed on a given task or job. This theory depicts that the effects on the employee welfare from exogenous stressors, which include organisational downsizing or workforce downsizing, can be moderated by the psychological salience or relevance, it has to the employees' role identity. Given the above, and in line with the foregoing, this theory places greater importance on the social and psychological factors affecting workers' organisational identification. When organisational employee downsizing takes place, this self- identification with the organisation plays a significant role in how an individual employee is affected by the change. This theory significantly explains how various survivors are affected by the downsizing change. When an employees' organisational identification levels are higher, he tends to belong but when that sense of identification is altered by the downsizing change, surviving in that same organisation results in huge negative effects on the survivor.

There are basically fourteen symptoms of the survivor syndrome as shown below.

Table 3.2: Fourteen Symptoms of survivor syndrome

Anger	reduced motivation.
Depression	resentment
Fear	distrust
Guilt	helplessness
Job insecurity	stress
Unfairness	fatigue
Reduced risk-taking	low morale.

Source: Noer (1993)

Given the above, most employees endure so many negative health consequences, after the implementation of the downsizing policy strategy (Modrek & Cullen, 2013; Talwar, 2015).

Survivor syndrome is depicted as a plethora of behaviour, emotions that are negative which are experienced by employees of organisations, in the post-downsizing era. These behaviours may result in low levels of productivity, increased employee absenteeism propensity, job-dissatisfaction, slowness, and demoralization as some research has depicted (Campbell and Paper, 2010). From another, perspective the remaining employees may perceive that they are important, and they work efforts are important hence they were not laid off, that per se, may increase their commitment to their organisation (Appelbaum and Donia, 2011).

Past research has shown that survivors response was negative under the following circumstances: when the layoff was perceived to be handled unfairly (Brockner et al., 1994, when trust in management was relatively low (Spreitzer & Mishra, 2013), when survivors were more psychologically close to the people who were laid off and finally when the threat of future layoffs was relatively high (Brockner et al, 1993).

3.8.1 The downsizing Survivor Syndrome

The impact of the implementation of the organisational restructuring and downsizing initiatives in SOEs or any company is usually very negative. A plethora of a broader and wider spectrum of emotions are experienced and endured by the surviving employees. These emotions not only impact on employee self –worth, dignity and credibility as officers or employees of the downsized organisation or SOEs (state owned enterprise). The remaining employees endure uncertainty, grief, shock, stress, depression, fear, anxiety, anger, demoralization, and demotivation. The changes that are brought by the implementation of the organisational and downsizing policy, precipitates the above range of negative attitudes and behaviours. Most employee reduction programmes as strategies of downsizing are a bitter pill to swallow for surviving employees or the escapees of the wrath of downsizing. Those who escaped the wrath of downsizing are aggrieved by the loss of their colleagues, the job insecurity which accompany the implementation of the downsizing process in most SOEs. The employment uncertainty is also another negative consequence of the downsizing trajectory. Employees who survive become unsure about their future employment and their life at work in that organisation which has undergone either full-organisational

restructuring and downsizing or partial-organisational restructuring and downsizing. The major research questions under investigation are: what is the impact of organisational restructuring and downsizing on employees of SOEs, with reference to the railways sector? The other key research question is: how do employees of SOEs in the railways sector experience the downsizing survivor syndrome? To achieve this, wide range of methodologies are engaged including intensive literature review and a plethora of other methods which are discussed later in the thesis. For now, intensive literature review exploration is very critical to totally comprehend the theoretical concepts underpinning restructuring impact on employees and the downsizing survivor syndrome. Thus, unpacking these critical concepts is very important. It is also important to note that research on the impact of restructuring through downsizing on employees of SOEs particularly in railway, is scanty. The research is scanty and invites academician and researchers to add local aroma so that solutions can be sought (Chandhry et al 2015.)

Some scholars that research knowledge about downsizing is still relatively underdeveloped (Macky, 2014), while others stress the confusion surrounding downsizing strategy (Gandolfi, 2012). Indeed, there is very little research globally undertaken on downsizing as a form of organisational restructuring particularly in SOEs in the railway sector, hence the need to carry out more research studies in this sector (Al-Hammali et al, 2017). More focused research needs to be carried out in specific sectors of the economy to uncover information that has not been written about in those sectors in both private, public sector, semi – public NGOs and supra-National institutions. This research focuses, however on SOEs with specific reference to

Spoornet in South Africa. Thus, exploring literature on the key concept as discussed above is critical. Infact the term survivor syndrome above is critical. It has not been adequate researched. When organisations downsize, they embark on workforce reductions. Some employees leave the organisation, and some remain or survive the downsizing ordeal. This whole process gives birth to a phenomenon called survivor syndrome which affects most of the employees at all levels of the organisation.

Survivor syndrome is depicted in terms of six key human resources variables as follows:

- Job dissatisfaction (increased levels)
- Staff motivation (decreased levels)
- Staff commitment (decreased levels)
- Morale among staff (decreased levels)
- Concern about job security (increased levels)
- Perceived promotional Opportunities (decreased levels)

Source: (Cascio,2013)

There are more variables to this phenomenon, but it is important to limit them for purposes of convergent validity. The downsizing survivor syndrome is normally viewed as a set off emotions and behaviours exhibited by employees who remain in the company or enterprise after the implementation of the downsizing strategy. It is the emotional aftermath of the whole process of employee reduction strategy. Employee morale dwindles, employee commitment shrinks, perceived promotional opportunities disappear, employee motivation decreases, job satisfaction levels decrease, and lastly employees become worried about job – security.

3.9 Effects of downsizing (negative)

The organisational restructuring through downsizing initiative has negative effects to the survivors. These, inter alia, include:

- A decrease in morale
- Increased absenteeism
- Reduced organisational commitment and employee engagement.
- Risk avoidance.
- Reduced speed of decision making
- A decrease in productivity
- Increased levels of workplace stress
- A greater task focus by managers (possibly) associates with an increase in harassment or bullying behaviour by managers (Gandolfi, 2013).

In summary the survivors of any restructuring through downsizing endure the above negative results during and after the implementation of the downsizing reform by any organisation or SOE. Organisations endeavour to improve their balance sheet thus cut as much as they can in terms of their expenditures, but the organisational tragedy is that survivors suffer the negative consequences and most of them never recover again. Literature shows that sometimes far from achieving the goal of improvement of the balance sheet organisations get a series of charge sheets, lawsuits, strikes and grievances from survivors and leavers alike.

3.9.1 Negative implication of soe restructuring privatisation and employee downsizing and selected key human resource management variables.

This section continues with literature on the negative impact of employee downsizing focusing on specific selected key human resource management variables. One of the main negative implications of employee downsizing in SOEs is job insecurity. Restructuring of SOEs through employee downsizing precipitates job insecurity to the remaining staff including middle management employees who also are the direct implementing agents of this process. Middle management employees execute organisational policies at shop floor level, and they are usually attacked directly by the trade union leaders and their members because of their direct role in employee downsizing. However senior management executives of SOEs also downsize this category of employees. Job security has been defined by many authors variously and multifaceted. What is key in most of definitions is that job security involves greater sense of perceived powerlessness to maintain desired continuity in a threatened job situation (Cascio,2014). It involves elements or characteristics of involuntary unpredictability about the future existence of the present job or of the future nature of the present job (Sverke, et al, 2012). Most surviving employees get worried about their employment future and the difficulties in getting a new form of employment should they lose the ones they have Employees of SOEs during downsizing and afterword about losing their jobs and the possibility of getting weak salary packages should they join other companies post downsizing. Job insecurity is one of the key causal factors of stress and depression amongst workers in downsizing entities. Job insecurity is a propeller of intensive stress and depression to all surviving employees. Job insecurity

is categorised in two ways: namely qualitative (qualitative job insecurity reflects the worry of fear of losing on the part of the survivor important aspects of the job, such a job content career opportunities salary development and workmates, and quantitative job insecurity (refers to the worry of losing the job and being laid-off soon) (Gandolfi, 2014).

3.9.1.1 Job insecurity

When enterprises undertake a downsizing initiative, workforce reductions are unavoidable. The enterprise reduces the number of workers and jobs automatically. As the process unfolds, it precipitates anxiety about who will be fired next or who is next in the line of being laid off. Workers become more frightened, and fear rules the work environment with every employee worried about their future. All this creates a phenomenon called job insecurity because employees feel powerless about maintaining and guarantying their job or future employment. There is a direct relationship between employee job insecurity and job performance. Employees who feel insecure in their jobs are less likely to perform effectively and efficiently. Distrust creeps in when employees feel insecure at work. Job insecurity broadly impacts negatively on employee job attitudes, behaviour, health, rational attitudes, employee performance and turnover intentions (Ogunbote,2018). The propensity of employees is very high. Job insecurity negatively imparts on survivors in terms of their trust levels, performance, and job satisfaction. Job insecurity affects commitment and loyalty. It is also significant to understand that job insecurity affects more uneducated than educated ones. Most negative effects that are experienced by the survivors emanate from job insecurity. The job insecurity model depicts the relationship of many negative

and outcomes and how they consequently are a result of the downsizing effects on survivors. Survivors endure more stressors in the post downsizing epoch. On the model below, the minus sign is used to depict negative impact and the plus sign is used to depict positive impact although it must be noted that these impacts vary from company to company, and from one economic system to the other.

3.9.1.2 Job Insecurity Model

This model provides an overview of how job Insecurity is related to distrust, some other personal outcomes, and to Job stressors. One of these job stressors is the overall insecurity a survivor can have. In turn, these job stressors negatively affect employee's mental well-being which can cause burnout. This burnout has negative effect on several personal outcomes. Some of these outcomes are also mentioned as a direct effect of job insecurity. This means that when certain employee outcomes promote a decreased mental well-being, this in turn negatively effects other or even the same outcomes. These relationships are shown in the following figure. When a minus is used in front of the outcome it means that a negatively affected, and a plus means the outcomes is positively affected.

3.9.1.3 Increased employee workload and employee low morale

One of the negative implications of implementation of the downsizing strategy is increased workload for the survivors. The remaining workers in the organisations must share the responsibilities and tasks left by the victims. In sections, department or units, the tasks that are left by those who have left the organisation are re-distributed

amongst the remaining employees commonly called survivors. This consequently multiplies their tasks and jobs (McManns & Mosca, 2015). The remaining employees must share the tasks and workload left behind by the victims and this is the source of stress, low-employee morale, and lack of trust in the organisation by the survivors (McManns & Mosca, 2015). The victims of the downsizing process, the survivors and the executive managers, all experience high levels of stress in a downsizing enterprise (Hargrove, Cooper, & Quick, 2012). A research study carried over fifty years has indicated that there is no singular definition of job stress, however, it involves job pressure and task pressure at the workplace which is very challenging to employees as individuals and organisational community members (Spurgeon et al, 2012). An employee is impacted upon threefold namely behaviourally, emotionally, and physically (Spurgeon et al., 2012). Consequently, the organisation endures high levels of absenteeism, turnover, low motivation, low morale, and job dissatisfaction (Spurgeon et al., 2012). Organisational downsizing must be always viewed as change. Organisation is a changed organisation (Akhtar, Long, & Nazir, 2015). Stress is propelled by internal and external factors, limited resources, workload, tasks, duties, and responsibilities which individual employees are allocated by the organisational various stages of the downsizing process (Smollan, 2015). Before the implementation of the downsizing process stress levels are increase by anxiety about the plans of the organisations, however, this is the stage of the process in which stress –levels are at their minimum (Smollan,2015). During the implementation period, the stress levels are heightened by several factors such as job uncertainty, undefined tasks, undefined compensation, and lack of transparency, the absence of participation, bad internal relationships, and the lack of leadership in directing the process openly (Smollan, 2015).

3.9.1.4 Depression and stress

In all the three stages of downsizing policy pre-implementation, during implementation and post-implementation, depression and stress are exhibited by the employees who have survived and those who did not (Brenner et al, 2014; Smollan, 2015). All categories of employees endure depression and stress-related illness especially when they felt that the implementation of the downsizing strategy was unjust and non-transparent (Brenner et al., 2014). When downsizing is being implemented some employees are displaced, laid off, rotated, redeployed, and reemployed. The origins of depression and stress lie in the management of these processes. Sometimes the process is ineffectively and inefficiently managed. With a voiceless workforce, the levels of depression and stress rise particularly when the trade unions are incapacitated by loss of their members or disempowered in the negotiation process. In sum, depression and stress are propelled by the thinking, on the part of employees, that the process was or is unfair and not transparent. In this case both survivors and victims of the implementation of the downsizing strategy suffer varyingly and in a multifaceted manner. The survivors are depressed every day at work because they see their victimizers at work.

3.9.1.5 Increased workload & high levels of stress

In the post-downsizing epoch, the survivors are more stressed pivotally because of new high workload allocations, perpetual work environment uncertainty, and undefined roles, lack of resources, lack of office space and privacy, poor internal relationships and finally lack of benefits from the whole process (Smollan, 2015).

Stress results in employee burnout (a psychological syndrome produced by elongated stressors of the job) and is connected to job insecurity and work overload (Cotter & Fouad, 2012). Employee burnout also affects the health and performance of the worker at the workplace. Most survivors endure these impacts including the organisational decision makers themselves (De Beer, Pienaar & Rothmann, 2013). Those that are retrenched after the process lose their social and economic standing in the community because their financial livelihood is lost and resulting in their loss of medical aid support funds. Thus, the downsizing process affects employees in all departments of life ranging from economic to social (Demps & Baker, 2011). Given the foregoing, it can be noted that the implementation of the downsizing process has negative consequences on survivors such as increased stress (Modrek & Cullen, 2013, low employee performance, low job satisfaction and lower job satisfaction (Navalino et al., 2014). Despite all these negative impacts the main purposes of pursuance of restructuring through downsizing, is to enhance, efficiency, effectiveness cut costs, engender greater productivity profitability, and let alone global competitiveness of the SOE (Cascio,2014). The uncertainty that is related to jobs, careers, and employee relationships, because of the downsizing strategy, is a major stressor in many downsizing organisations. The anxiety that is related to all these factors results in decreased employee wellness consequently resulting in employee burnout. Poor employee well- being is a cause of concern in all organisations. Some researchers have found a positive relationship between downsizing implementation with burnout of survivors of downsizing enterprises (DeCuyper, et al, 2012). Normally burnouts are related to lower levels of job satisfaction, lower levels of commitment b employees. Burnout is also closely associated with job absenteeism, willingness to resign and turnover levels (Maslach et al, 2011). It is important to note that job stress

and burnout are all related to the job insecurity which the surviving employees experience at the downsized organisation. Job insecurity is the most negative impact that occurs when organisational restructuring through downsizing is implemented by enterprises or companies. Most survivors experience demotivation and low employee morale after the downsizing process. This is a great challenge that most SOEs must deal with because demoralized employees exhibit a greater propensity of low productivity than a motivated one. Surviving employees became angry and mistrust the organisation and therefore demotivated, because they don't see the light in the organisation being able to realise their hierarchy of needs as postulated by Maslow. Instead, they downgrade their needs to lower levels. The remaining employees become very demotivated because they also loose social support from the departing employees whom they saw as a pillar of professional support for some time.

The remaining employees lose trust and motivation which therefore, on a long-term basis, and seek for the other way out (Al- Hammali, 2017). In the light of the above, to (Tsai et al., 2005), a strategic human resource management approach, is essential. Thus, it is critical for downsizing enterprises to involve their employees, propel and engender teamwork, ensure continuous training and rewarding after implementing the downsizing strategy. Employees experience high levels of low morale because of the downsizing strategy implementation. They get demoralized because they can see their future being doomed and their means of financial survival being obliterated by job cuts of layoffs. According to (Isabella, 1989), enterprises that undergo downsizing experience low performance levels because they put less efforts to prepare the low morale which the survivors endure after the process of downsizing (Isabella 1989)

Survivors usual perform less especially if they perceive that their counterparts who have been laid off have been unfairly treated and compensated by the enterprise or the downsized organisation. However, most downsizing companies or SOEs are mostly concerned with their financial goals than the human capital ones thus if the process yields substantive cuts in monetary expenditure and brings the company or enterprise back to a viable financial considered although important. Studies also have shown that if the surviving employees perceive that the leaving employees are adequately compensated; their job performance may not be hugely affected.

Attitudes of survivors (to insert on my earlier notes) the implantation of the downsizing strategy has a negative impact on surviving employees' attitudes psychologically as far as job security is concerned. Job security is very critical far most employees but when the perceive that their job security is threatened; their attitude towards work is negative. The psychological feeling of powerlessness over the prevailing situation and the future unpredictability and the fear of possible job losses precipitates severe traumatic stress reactions in the survivors. When employees have been downsized, most organisations are less inclined to hire new ones and therefore, the surviving employees are burdened by more workloads, more working hours, and reduced leave or vacation days culminating in huge stress levels and depression amongst the surviving employees. High levels of stress precipitated by perceived unfairness culminates in low morale and negative attitudes by surviving employees. The other main negative impacts of employee downsizing in SOEs are low levels of job performance, high employee turnover and lack of commitment to the organisation. Employee Turnover: The subjective intention of a worker to leave the organisation is

called turnover intention (Vandenberg and Nelson, 1999) Workplace dissatisfaction, demoralization, stress, depression, and a feeling of being rejected and unwanted by the employer leads to higher employee turnover intention. Dissatisfaction which is created by the downsizing process engenders higher employee turnover intentions. Implementation of the downsizing strategy in an organisation is one of the key causalities of employees' turnover intentions. (Moody, 2010). This normally affects the remaining employees who are referred to as survivors. These surviving workers experience greater loses of commitment and loyalty towards their employer. This lack of commitment ultimately propels job dissatisfaction and other attitudes which are detrimental to organisational goals, objectives, and performance (Cascio,2010). Naturally, in the post-downsizing epoch, survivors commence to consider other employment opportunities because they have lost faith in the current downsized enterprise or company. Job insecurity creeps in, to most surviving employees, consequently affecting the organisational levels of profitability and sustainability.

3.9.1.6 Organisational commitment and job performance

Layoffs are commonplace because of ever-changing macro-economic milieu and technology. The need to downsize is sparked by enterprise aspirations to reduce costs of operations, improve competitiveness and profitability. In most cases layoff survivors are detrimentally affected hence they reduce organisational commitment or job performance levels (Mishra & Mishra, 2013).Past research has shown that survivors response was negative under the following circumstances: when the layoff was perceived to be handled unfairly (Brockner et al., 1994: when trust in management was relatively low (Spreitzer & Mishra, 2013), when survivors were more

psychologically close to the people who were laid off, and finally when the threat of future layoffs was relatively high .When employees or their union leaders loose the powers and authority over work decision making most employees feel powerless and therefore less commitment leading to poor outputs at work. Owing to the loss of commitment surviving employees may fail to attain organisation objectives, thus depending on the surviving employees is both misleading and illogical on the part of senior executives of the organisation. Survivors' perceptions of control influence their experience of stress and hence their attitudes and behaviours (Spreitzer 2012). The impact of perceived control on survivors has received very little empirical scrutiny (Spreitzer & Mishra, 2013). The implementation of the downsizing strategy engenders a commitment crisis, endangers employee loyalty, and decreases the levels of employee motivation and satisfaction.

3.9.1.7 Impact on commitment, loyalty, and trust

Implementation of downsizing strategy affect employee performance negatively and their commitment .Again, employee performance is impacted on through decreased loyalty, and decreased job security (Rehman & Naeem, 2012). Employees trust on management is lost after the downsizing process. The employees don't know who to trust anymore during and after the implementation of the downsizing process (Jivan, 2012). Despite all these negative results scholars contend that downsizing initiatives are naturally part of the management architecture organisationally currently and futuristically (Gross, 2015). Research has shown that the causes and effects on a global scale are very similar (Datta, Basuil, 2015; Gandolfi & Hansson, 2015). These Scholars also believe that the downsizing strategy has become acceptable as part of

a process of organisational renewal and make-over (Gross, 2015). Executives of enterprises has always opted for the implementation of the downsizing strategies as acceptable managerial practise (Hausson, 2015). Restructuring organisation through downsizing has often resulted in very negative effects on the employees who survived the downsizing initiative. The process results in low level of employee commitment and trust to the organisation and its management, survivors exhibit high levels of low commitment to the organisation especially when they have very little trust in management. Lack of trust in management minimizes the chances of achieving the organisational vision and mission. Organisations have visions and mission, goals and values which are important and employee commitment to these is not only fundamental but key to the success of the organisation. The downsizing exercise is very threatening when employees don't trust the managers. The absence of employee trust arouses negative emotions and thoughts which ultimately affects employee commitment to the organisation. The main problem is that downsizing as a change in not properly communicated to the employees or their trade unions, as a result mistrust levels rise. There are various types of commitment, namely normative commitment (the feeling of responsibility a worker has in assisting towards organisational activities), continuance commitment (the employee commitment to the organisation based on investment already made in the company, which propels an employee to decide to stay than to leave the organisation) and finally affective commitment (the degree of emotionally attached a person is to a certain object like the organisation). The model below depicts the trust and commitment as hatched by the downsizing process. It is important to note that if managers prepare the employees adequately then the propensity to resist the change is very low but in instances where employee have not been sufficiently prepared negative emotions of stress and lower commitment levels

are experienced at all levels of the organisation. Transparent and adequate communication about the implementation of the restructuring through downsizing lessons the inclination towards resistance and enhances employee commitment and trust.

Distrust, Cynicism and Betrayal (Impact on Survivors. When employees experience restructuring through downsizing, they also experience high level distrust to the organisation. They find it impossible to trust the organisation which removes their means of survival. In this light therefore, according to (Kurebwa 2011). It is accustomed to psychological contracts since it entails expectations of another party's future actions based on past actions such as observations of rules of behaviour in relationships (Kurebwa, 2011). Most non managerial employees perceive great betrayal and distrust by the company. In sum employees who survive this form of restructuring called downsizing, feel betrayed by the organisation that the trusted very much. The practise of downsizing as a form of organisational restructuring, results always in employee reduction and the survivors endure stress, trauma, and depression. It becomes difficult for the survivors to trust the newly downsized organisation and its executives. When organisations restructure through downsizing, it affects their vision missions and objectives at an organisational strategic level. The problem that survivors encounter is that they become unsure whether they are still need or not or whether they fit into the novel vision and mission of the newly downsized entity. Normally when organisations embark on a restructuring through downsizing trajectory, employee or workforce reductions are inescapable and irresistible because of the need to cut the costs of operations and engender efficiency and effectiveness.

The evils that the downsizing strategy incurs are job losses and even those that survive such a traumatic exercise equally suffer the same psychological and social trauma as the victims of downsizing.

In the light of the above it is important to note that, owing to global economic downturns or meltdowns or IMF/WB advice, most countries will always restructure their economics and consequently restructure their ley enterprises through downsizing with the result that employee lose their jobs in one form or the other and others survive but will endure survivor syndrome. Downsizing has a tremendous negative impact on employee commitment to the enterprise. When employees get jobs in enterprises, they perceive to be their second home, they tend to be loyal and committed to the goals, mission, and vision of the enterprise. The business strategy of downsizing totally disrupts that commitment. Employee commitment is one of the pillars of success for many organisations. Employees feels that they belong and therefore they defend and become loyal to the organisation. Downsizing has a negative impact on employee commitment to the organisation. It is critical to determine methods that can be utilized to ensure that employees remain committed and loyal to the organisation.

The downsizing strategy aims to cut down the workforce while improving the efficiency, productivity, and competitiveness as well as to reduce the employee volume and diminishing the labour cost and expenses. Research has also shown that the downsizing strategy impacts on organisational commitment because when corporates reduce their employees they rely on the remaining employees. Consequently, the survivors lose loyalty for the downsizing organisation and that affects the employee

commitment to their organisation. Lower levels of commitment become the order of the day amongst the survivors of the wrath of the downsizing process. The fear to lose their jobs haunts them and it is very difficult to remain very committed to the organisation. To the survivors, uncertainty about their future affect them thus they live on a day-to-day basis. The levels of dedication, loyalty and assurance towards their jobs drop to lowest levels (Lee & Corbett, 2006). Scholars contend that the implementation of a downsizing strategy results in a very difficult situation for the workforce. Organisations deplete their employee numbers in a bid to cut costs, ameliorate organisational employee creativity, teamwork, and strength through keeping workers who are perceived to be industrious and have shown high levels of commitment (Amiable & Conti, 2014). The strategy of restructuring through downsizing is useful to the company or the SOE because by reducing the employee numbers; costs of salaries and wages or employee compensation are cut automatically, thus improving the balance sheet and organisational financial viability and financial performance. Employee commitment involves total acceptance and agreement with organisational mission, vision and objectives, the willingness to sacrifice for the enterprise and the desire to continue working for the enterprise or company (Lemons & Jones, 2011). In the view of Romzek (1990), committed workers put the interests of the organisation first. Thus, employee loyalty to the organisation is not doubtful under such circumstances. The commitment is guaranteed (Romzek, 2010).

As far as employee commitment to the downsizing entity is concerned, it has two sides namely negative and positive. To organisations where less communication on the downsizing strategy and implementation was minimum or absent, employee perceive

it to be negative and unethical and therefore unjustifiable. The timing, the methods or typologies of downsizing are essential determinants of employee perception and understanding regarding the downsizing policy implementation. Thus, given the above, levels of commitment collapse giving rise to companywide dissatisfaction. Short – term results in terms of efficiency, effectiveness, profitability, and greater competitiveness, may not be realised because of lack of employee commitment especially when employees are worried about the timing and the forms of downsizing the organisation applied. Employee commitment is essential for improving organisational performance. When employee employment contracts whether permanent or temporary, are jeopardized by the implementation of the downsizing trajectory, SOEs experience lowest levels of loyalty, and commitment amongst survivors of the downsizing strategy. The surviving workforce is reduced and therefore, yet they are still expected to fulfil the tasks which the leaving employees left behind and this destroys their levels of commitment to work in that downsized SOE. The surviving employees must work long hours and to fill in the task-gaps incurred by workforce reduction and that leads to employee work commitment corrosion. Employee work commitment corrosion is a phenomenon where a surviving employee feels unwanted, overworked, used to cover-up the left-gaps which results in individual employee lack of loyalty and commitment to the organisation particularly because the feeling of ‘being wanted’ by the organisation. Loyalty and commitment fade off because of the implementation of the downsizing strategy. Implementation of the downsizing strategy, violates the contracts of employment workers have signed at the inception of their work because when the workforce is reduced, the tasks left are performed by the remaining personnel sometimes with little or no compensation adjustments because the organisation claims that it is on a trajectory to cut costs of

operations and therefore cannot compensate and even if it does, the compensation is meagre.

Restructuring scholars concede that surviving workers automatically decrease their commitment levels. When the surviving employee perceive the process of downsizing to be fraught with injustice and feel that those retrenched have been unfairly treated in terms of employee contract termination and just merely losing them at work, their commitment levels drop drastically because they were emotionally and professionally attached to the laid off employees. This affects their commitment because they don't know who is next. The adoption and implementation of the downsizing strategy is influenced by internal and external forces or changes or poor performance financially by the corporation or State-Owned Enterprise (SOE) (Hussain, Fareed, and Shahzad, 2014). Although most enterprises believe that by cutting the number of employees, they benefit financially, they also lose the commitment of the employees in terms of their organisational priorities including profitability. The implementation of the organisational downsizing strategy culminates in the precipitation of negative behaviours and attitudes on the remaining workers. The most important question to ask is of course why the employees should remain committed when all their economic and financial and even social psychological livelihood is eliminated by their employers whom they have served loyally and honestly for many years or for some time? This question erodes their commitment at all levels of their organisational engagement with either organisational engagement with processes and in meetings of any kind within the working milieu and even outside the premises where they represent the organisation in all environments. In short, the implementation of a downsizing strategy

which propels job cuts or workforce reductions results in extremely high levels of stress and depression on surviving employee consequently resulting in employee work commitment corrosion. Employee work commitment corrosion is detrimental to the attainment of organisational vision and mission because at the meso-organisational level and the micro-organisational level, employees feel neglected, deserted, and victimised by the employer who in most case does little or nothing to communicate the organisational position on downsizing to them.

During the downsizing process and the post-downsizing epoch the loss of colleagues damages the morale and commitment of surviving staff at all levels. When other employees are laid off, new job-redesign processes take place to cover up the gaps created by leaving workers. Some jobs are normally merged with existing ones but there are no human replacements to do those newly created tasks and that means that the survivors must do double jobs or even triple jobs with little or no incentive. Survivors don't even see this as an opportunity for growth, but they feel used because their responsibilities or task quantitatively increase yet the organisation suffers in terms of quality of outputs. Employees are motivated by job autonomy and control over their jobs not huge quantities (to add job characteristics model). Thus, increased work quantities are a threat to a survivor (Surienty, Ramayah, Lo, and Tarmizi, 2014). Some scholars argue that when organisations carry out a downsizing strategy it impacts on surviving employees and thus employee's commitment and loyalty is corroded consequently resulting in job dissatisfaction, job stress and most negative psychological attitudes and behaviour **(**Chaudhry et al 2015). Most negative organisation changes affect the employee negatively particularly the implementation

of the downsizing strategy. Even before its implementation, employees are very stressed by a simple indication by their union representative who sits in management meetings, that the organisation is conceptualizing a downsizing strategy. Such information corrodes commitment because even prior-downsizing implementation employees are already stressed because they don't know who the targets and victims are. Negative developments in the organisations which impact on positive changes decrease worker commitment at all levels (Lee & Corbett, 2010). Employee lay –offs are detrimental to workers because they cause "lay off survivor sickness "which in essence causes patients to suffer from negative attitudes feelings, perceptions, beliefs about the workplace and this results in loss of commitment and risk adverse behaviour in employees (Sayed, 2013).

Survivor syndrome is depicted as a plethora of behaviours, emotions that are negative which are experienced by employees of organisations, in the post-downsizing era. These behaviours may result in low levels of productivity, increased employee absenteeism propensity, job-dissatisfaction, slowness, and demoralization as some research has depicted (Campbell & Paper, 2016). From another, perspective the remaining employees may perceive that they are important, and they work efforts are important hence they were not laid off and that, per se, may increase their commitment to their organisation (Appelbaum & Donia, 2011). Employee commitment is the extent an individual identifies himself or herself with and works towards organisational goals and objectives (Noble & Mokwa,1999, p.61; Paris & Busch, 2010). Employee commitment refers to the psychological attachment of employees to the enterprise or the company and that it is multidimensional and cannot be explained by a single factor

(Travaglione, 2010). Affective commitment is the emotional acceptance of organisation goals, continuous commitment relates to the awareness of the cost in leaving an organisation while normative commitment relates to a feeling of being part of the company (Carmeli & Gefen,2015. Some employees who survive the implementation of the downsizing strategy may perceive the process as fair and just thus increasing their commitment but if they view the process as unfair and unjust, then their commitment is severely affected and therefore view their future as uncertain and due to this uncertainty, their commitment towards the company decreases (Gandolfi, 2013). When restructuring in the form of downsizing takes place, employee reduction takes place which results in some workers leaving the organisation against their will. They become angry as they leave and correspondingly the remaining workers or survivors of this business strategy also become angry and always wish to revenge because their colleagues have been victimised. The surviving employees normally lose trust of the employer or the executive management of the SOE. They mistrust the organisation because they feel betrayed and feel that it can happen again to them particularly employees who have served the enterprise for a long time.

CHAPTER 4: METHODOLOGY & RESEARCH DESIGN

4.1 Introduction

Research methodology imparts a critical roadmap of how quality research must be executed in a logical fashion. Research methodology is the underlying theoretical foundation upon which research activities are guided and executed (Flick, 2015). It captures and depicts the tools and procedures utilized (Babbie, 2016). In this section I will discuss in greater detail document analysis, types of documents, types of data, document sources and sampling, the inclusionary criteria, the exclusionary criteria, data collection and management, data analysis, coding and categorizing, thematic analysis, open coding, axial coding, selective coding, and quality control for this research. Document analysis is a form of research in which data collected and processed by one investigator, are re-analysed (Babbie 2016: 281). It in essence is implied that; documents are made up of data published for manifold objectives. Secondary data is usually collected by another person for another primary objective, there is a need to analyse it and yield data that could be used in this study (Johnson, 2014:619). According to other schools of thought, data from reports cannot be copied and pasted into one's research because they are context specific. One needs to analyse data and come up with a report. This process normally involves the selection and synthesis of data in various reports which are later organised into themes. These data will be compiled into reports and graphs, and they will form part of the data that to be reported for analysis. Other data will be coded, and coding is based on the specific concepts of this research. During the process of coding, the investigator will

pay attention to codes that tend to cluster. Data from different reports will be compared, checking for similar ideas in all data sources. Usually, data from different reports may create a confluence of evidence that will form the basis for analysis.

4.2 Document analysis

There are few aspects of our lives that are not recorded in some form, from official statements of birth, death and milestones in between; government and organisational directives, policy, legislation, maps, and minutes; personal correspondence and photographs; marketing material; the ephemera of bus tickets and sale receipts; and the narratives generated by media, both printed and via electronic channels such as Facebook that bridge both the personal and public spheres (Wood, Sebar and Vecchio, 2020). Such documents, and myriad other examples, are what Olson (2020) calls “the by-products of human activity” (p 318) – written, visual, and physical material that reveals the complexities of our lives as individuals and societies (Wood, Sebar & Vecchio, 2020). They provide evidence of the way in which we represent and organise ourselves; they reveal how we strive to make sense of our past and inform our future (Wood, Sebar & Vecchio, 2020). Document analysis is a type of qualitative research that utilizes a systematic procedure to analyses documentary evidence and answer research questions (Gross, 2018). Document review and document analysis involve the following aspects: the selection and categorizing of relevant documents, extraction, and analysis of data to draw insights and conclusions about a concept, answering of research questions of whom, what, where and how, depending on research objectives (Kayesa & Shung – King, 2020). Qualitative document analysis provides a systematize methodical process for eliciting meaning from documentary

evidence (Wood, Sebar & Vecchio, 2020). The interpretative process is both recursive and reflexive as the researcher moves between concept development, sampling, data collection, data analysis and interpretation (Wood, Sebar & Vecchio, 2020). Qualitative document analysis (QDA) is thus an emergent process focuses on the search for underlying meanings, themes, and patterns, rather than a rigid set of procedures with tight parameters (Wood, Sebar, & Vecchio, 2020). Document analysis involves the process of skimming, thorough reading, examining contents, and interpretations of documents (Kayesa & Shung- King 2020). Depending on the research question, one may use a rating scale, checklist, as well as a matrix analysis for examining content (Kayesa & Shung – King, 2020). Document analysis involves a focused reading of the document, wherein the investigator engages in the identification of patterns in the data and information of codes and themes on which analysis based after (Kayesa & Shung – King, 2020). Document analysis requires repeated review, examination, and interpretation of data to gain meaning and imperial knowledge of the construct under research or study (Gross, 2018). This method of research can be conducted as a stand-alone or as a component of a larger or mixed methods study (Gross, 2018). When employed as a stand-alone study, it can respond to questions relating to policy impacts, past events cultural context, organisations, activities, groups, and policy changes (Gross, 2018). Qualitative document analysis in an umbrella descriptor for a systematic, reflexive process that may employ a range of document analysis methods (Wood, Sebar & Vecchio, 2020). Scanning articles across the broad range of disciplines within which QDA is used such as medicine and health, business and management, communications, journalism, education sociological studies, policy studies that cross disciplinary boundaries in any of these fields of study: provides examples of QDA utilizing a range of methods, including variants of thematic analysis

content analysis and discourse analysis (Wood, Sebar & Vecchio, 2020). Documents analysis is synonym mousy referred to as document review and is used as a method of accessing data and information in different disciplines and carries different meaning in the it is conducted, interpreted, and applied (Kayesa & Shung – King, 2020). Document analysis is a research data collection method which is a systematic collection, documentation, analysis, interpretation, and organisation of the data, printed or electronic (Kayesa & Shung – King, 2020).

Documents of any nature and type are utilized by researchers in unearthing greater insights, developing theories, paradigms and weaving profound comprehensions of a particular topics and thematic frames of various areas of research in public policy, organisational practices, and socio-economic themes of any discipline (Gross, 2018). 0ften, they play and active role in influencing those processes of sense – making (Wood, Sebar & Vecchio, 2020). There are different types of documents ranging from official documents which are maintained on a continuous basis by large organisations such as government institutions and private organizations (Olutola, 2014). Other sources, include, mass media, radio, cinema, television and print media (Olutola, 2014). Document analysis can be used as a sole source or complementary source of data to respond to research questions (Kayesa & Shung – King, 2020). Document review and document analysis are often used interchangeably. Some scholars depict document review as a descriptive and non- analytical process, versus the more empirical and analytical process of document analysis (Kayesa & Shung – King, 2020).

The role of documentary evidence is largely inconspicuous in most areas of qualitative research (Wood, Sebar & Vecchio, 2020). Documents tend to enter and to leave the field in relative silence, often unobtrusively complementary to other methods in case in case study research (Olson, 2010). The documentary realities of social settings and the rich potential of documents as a way of understanding social practices are often neglected in qualitative accounts of such environments (Wood, Sebar & Vacchio, 2020).

Sometimes document analysis is considered as a step in a document review, while an opposing perspective regards document review as the first – pass to document review as the first – pass to document analysis (Kayesa & Shung – King, 2020).The cultural, social- economic and political contents of these documents are also very vital, just as the period and place in which they were born (Gross, 2018). The context place, time and purpose of the documents contribute to a greater extent, to the understanding of their representation of thematic construct under research (Gross, 2018). Most documents impact an accurate record of the existence of humanity, from the perspective or point of view of the writer and they may also not be published, depending on the existing circumstances, context, and content (Gross 2018). Documents are usually, public, or private, hard copy, textual, visual, or electronically digital, in nature (Gross, 2018). However, there are numerous forms of documentations that can be utilized in research. These include both secondary and primary sources of data (Gross, 2018). Investigators who use QDA, are normally influenced by both their worldview (ontology) and their understanding of how human beings, know about that world epistemology), (Wood, Sebar & Vecchio, 2020).Being

explicit about the framework underpinning a QDA method contributes to the coherence and credibility of the study; it establishes that there is methodological congruence between the worldwide of the researchers, the aims of the research, the nature and scope of the documents under investigation, and the analytic procedures undertaken (Wood , Sebar & Vecchio, 2020).

Document analysis is one of the most widely used and powerful methods in public policy research. Scholars of health policy have developed an approach on document analysis called the READ approach (ready your material, extract data, analyses data and distil your finding, (Dalglish, Khalid & McMahon, 2020). Document analysis (also called document review) is employed in policy research, and it is nearly impossible to conduct policy research without it (Dalglish, Khalid & McMahon, 2020). Documents play a critical role in modern bureaucracies and their policy activities. This includes the work of state-owned enterprises, which is largely executed in line with government policy. State –owned enterprises produce innumerable documents for their strategies, operation, assessments, and their annual reports. Critical social research has a long tradition of documentary review: Marx analysed official reports, laws, statues census reports and newspapers and periodicals over a nearly 50-year period to come to his world altering conclusions (Dalglish, Khalid & McMahon, 2020). Documents are wells of information. Documents exist not as standalone objects of study but must be understood in the social web of meaning within which they are produced and consumed (Dalglish, Khalid & McMahon, 2020). Documents are in different classes namely public documents (produced in the context of public sector activities), private documents (from business and civil society) and personal documents (created by or

for individuals, and generally not meant for public consumption) (Dalglish, Khalid & McMahon, 2020). Many documents are usually available to the social researcher on most topics and can be found via literature study (Olutola, 2014). There are different types of documents ranging from official documents which are maintained on a continuous basis by large organisations such as government institutions and private documents (Olutola, 2014).Documents can be used in a plethora of ways throughout the research process, (in the planning or study design phase, they can be used to gather background information and help refine the research (Dalglish, Khalid & McMahon, 2020). Documents can also be used to spark ideas for disseminating research once it is complete, by observing the ways those who will use the research speak to and communicate ideas with one another (Dalglish, Khalid & McMahon, 2020**).** Documents are use during data collection and analysis to help answer research question (Dalglish, Khalid & McMahon 2020). This can be done in four ways (policy documents are reviewed to describe the content or categorize the approaches to specific problems in existing policies, in other cases to examine the implementation of policies in real-world settings as in a review of web sources and newspapers analysing the functioning of community health councils in New Zealand, document analysis is used to analyse policy processes, and finally, document analysis can be used to inform new policies). (Smith et al., 2017). Document analysis is a systematic procedure for reviewing or evaluating documents, which can be used to provide context, generate questions, supplement other types of research data, track change over time and corroborate other sources (Dalglish, Khalid & McMahon, 2020). The READ approach to document analysis is a systematic procedure for collecting documents and gaining information from them (Dalglish, Khalid & McMahon, 2020). The steps consist of: (a) ready your material, (b) extract data (c) analyses data and (d) distil your findings

(Dalglish, Khalid & McMahon, 2020). The first step from a READ approach is to ready your materials. Under this step the researchers must set parameters in terms of the nature and number (approximately) of documents they plan to analyse, informed by the research question. There are important questions to ask like; how much time will you allocate to document analysis, and what is the scope of your research question? Depending on the answers to these questions, criteria should be established around (a) the topic (a particular policy, programmer narrowly defined according to the research question), (b) dates of inclusion (whether taking the long view of several decades, or zooming in on a specific event or period in time) and (c) and indicative list of places to search for documents (possibilities include; Lexis Nexis or other databases; online searches and particularly interview subjects). For difficult – to – obtain working documents or otherwise non-public items, bringing a flash drive to interviews is one of the best ways to gain access to valuable documents (Dalglish, Khalid, McMahon, 2020). For research focusing on a single policy or programme, you may review a handful of documents (Dalglish, Khalid & McMahon, 2020). But, when focusing on multiple policies or, contests, or reviewing shorter documents (such as newspaper articles) you may look at hundreds or even thousands of documents (Dalglish, Khalid & McMahon, 2020). Under this step, when considering the amount of documents to analyses, it is important to make notes on the type of information you plan to extract from the documents (what it is you hope to learn and how this will help answer your research questions (Dalglish, Khalid & McMahon, 2020).The researcher is able to set the initial criteria and establish the data to extract from the documents. It is important to note that most of the data will evolve overtime during the research and ultimately yielding the outcome. What is critical, is to identify a sample of documents that address the research questions and objectives. If the documents available do not

address the research questions, the investigator may need to reassess the research questions and methods of inquiry and if there are too many documents it may be important to analyse a subset of these documents or adopt a more strict and rigid criteria of inclusion (Dalglish, Khalid & McMahon, 2020).

4.2.1 Types of documents

There are so many document sources that can be consulted when undertaking this type of research. In other words, the documents will vary by thematic frames or research questions but in majority of cases it is important to consult a mix of formal documents (such as official policies, laws or strategies), 'gray literature' (organisational materials such as reports, evaluations and white papers produced outside formal publication channels) and whenever possible, informal or working documents (such as meeting notes, power point presentations and prioritization of documents depends on the research question, thus , one may prioritize official policy documents for examining policy content or informal documents when studying policy process (Dalglish , Khalid & McMahon, 2020). There are various types of documents which can be utilized by scholars and researchers. They are made up of words and images that have been created and recorded without the influence of the researcher and for a purpose other than the research study (Gross, 2018). The documents which the researcher used included, government policies, regulations, laws, legislation, position papers, green and white papers, organisational strategy papers on company operations and performance, history of organisations, reports budgets, newsletters, minutes of meeting, agendas, company chats, trade union reports, presentations manuals, gazettes, book chapters, journals, articles, brochures, pamphlets, adverts,

photos, letters diaries, newspapers, posters, event proceedings, bill, Acts of Parliament, annual reports, task team manuals, commission reports and organisational charts and parliamentary reports .The context of the interplay of privatisation of SOEs in South Africa involved mainly the various policy and shareholder ministries, trade union federations , specific sector unions, government research organisations such as NEDLAC and NALEDI, parliamentary task teams, presidential Committees on SOEs restructuring and the private firms and consultancy, hence the scientific validity of using such a wide range of sources. Spoornet documents were very important particularly the annual reports because they contained the actual information on the subject. Specifically, the researcher used, parliamentary portfolio committees, annual reports, government presidential committees, presidential commissions Imbizos, task team on state-owned enterprises and policy reports from appointed audit firms such as Price/ Waterhouse/ coopers or Gobodo Inc. SATAWU, UTATU, NALEDI, NEDLAC and COSATU document. They provided a rich source of diversifies groups of stakeholders with different opinions thus entrenching objectivity. The unions of SATAWU, UTATU, and COSATU dealt directly with the restructuring and privatisation engagements at Spoornet hence the decision to use them. The reports of the parliamentary select committee of public enterprises and labour produces factual documents which I relied on because the committee had facts directly from the SOE. Parliamentary Monitoring Group produces reports on parliamentary committees and the researcher depended on these reports which chronicled the restructuring and privatisation saga of SOEs in South Africa. It is critical to utilize a plethora of different sources for scientific and validity reasons. These documents came for various official sources and stakeholders in the restructuring and privatisation reform agenda. These various documents may be classified and

categorized into secondary and primary data and may be utilized by the researcher variously, varyingly, and multifacetedly.

Table 4.1: Types of documents

Category	Examples
Official documents	Policies or Policy directives. Strategies for sectors or specific heal. Official statements and Declarations Official position papers statistical surveys or publications
Implementation documents	Training manuals or work tools booklets. Midterm \ final reports or evaluations. Financial analyses. Operational plans project proposal. Finding requests
Legal documents	Laws Regulations Memorandum of understanding (MOU). Cooperation agreement
Working document	Meeting reports or minute Memorandum Committee reports Power Point presentations Draft documents Mission reports Emails
Scholarly work	Scientific or peer-viewed publications. Master or doctoral dissertations. Textbooks and other course materials.
Media and communications	Newspaper and magazine articles. Podcasts, videos, and radio and television.
Advertisements and posters	Newspapers, bulletins, listservs, blogs a. twitter conversations and other social.
Other	Promotional material (Pens, notebook). Warning labels and national labels or medical or other health devices. Floor plans, architectural plans, and maps

Source: Dalglish, Khalid & McMahon (2020)

During this initial preparatory phase, we also recommend devising a file-naming system for your documents (for example, so that documents can be easily retrieved throughout the research process. In the perspective of the read approach the second step is called “extract data stage”. When research question focuses on process, documents can be used to compile a timeline of events, to trace process across time.

At this stage, the investigator begins to gain understanding of his task and begin to have some ideas or construct working some theories from the data available from the documents gathered. The researcher documents all the developing ideas and classifies them into notes or memos because they can be used as analytical tools and can form basis of the research report or production of an article or research paper. (Dalglish, Khalid & McMahon, 2020). The researcher must think carefully about how to use specific data from categories of sources therefore accurate filing of various thematic frames and forms of data which answer the research questions must be correctly and appropriately filed. Any form of data extraction must be geared towards answering the research questions of the topic under investigation. It is also very important to note that with the advent of e-filing and e-scholarship and the availability of innumerable search engines, the flow of new information on various research questions may be very overwhelmingly challenging, thus, it is important for the researcher to always adhere to the stipulated inclusionary and exclusionary criteria. The emergence of new information is a very enormous constraint but if the inclusionary criteria and exclusionary criteria have been clearly outlined then it may be easy to

continue with the research, to fruition. In the case of examining the implications of restructuring of state- owned – enterprises on employees, huge government sources, such as parliamentary portfolio committees, annual reports, government presidential committees, presidential commissions Imbizos, task team on state-owned enterprises and policy reports from appointed audit firms such as Price/ Waterhouse/ coopers or Gobodo Inc. Satawu, Utatu, Naledi, Nedlac and Cosatu.

If the researcher has six or five major research questions, it is important to have various sources of data, data, themes, and sub-themes files for easy reference during analysis or writing up stages. The third step in the read approach is called “analyse data”. Just like in many categories of qualitative research, data collection and analysis are iterative and characterized by emergent design, implying that developing findings continually inform whether and how to obtain and interpret data (Creswell, 2013). Researchers can only have a full picture once data extraction is completed. In fact, there are very important questions to ask in the process. There are important questions to ask the overall body of documents gathered by the researcher, in pursuit of addressing the stated research questions.

A plethora of methodologies may be used, both quantitative and qualitative, including case study methodology, thematic content analysis, discourse analysis, framework analysis and process tracing, which may need varying levels of familiarity and skills to apply (Dalglish, Khalid & McMahon, 2020). Analysis can also be structured in line with theoretical approaches. In terms of analysing policies process tracing can be useful to mix multiple sources of information, establish a chronicle of events and reveal political

and socio-processes, to create a narrative of the policy cycle (Dalglish, Khalid & McMahon, 2020).

The fourth step in the read approach is simply called “distil your findings”. Proponents of the read-method contend that when the researcher has completed the document review, three things occur, namely: (1) completeness (you feel satisfied that you have obtained every document fitting your criteria), (2) out of time (thus means you should have used more specific criteria, and (3) saturation (you fully or sufficiently understand the phenomenon you are studying) (Dalglish, Khalid & McMahon, 2020). When all the steps of the read method are followed, the researcher, has some satisfaction that most of the relevant documents have been accessed, read, and analysed, in line with the original goal of answering the major research questions under investigation. At the fourth stage, the researcher must refine the findings. In the case of periodized research, the researcher can finally check any missing information according to the period under investigation. Given, the foregoing, that suffice to say, using an organised system of analysis enhances the document analysis’s procedural rigor, allows for a fuller understanding of policy process. The read – approach is a systematic method for interrogating document and extracting study – relevant data that is flexible enough to accommodate many types of research questions (Dalglish, Khalid & McMahon, 2020).

4.3 Data analysis

Some scholars argue that in qualitative research data analysis is a process that concurrently takes place with data collection (Saldana,2016). The analysis process of qualitative data is a rigorous and stringent process which when effectively and efficiently implemented always imparts cradle meaning to the research results. For the purposes of this study, existing reports will initially be analysed to discern the existing trajectory in the restructuring of State-Owned Enterprises (SOE)s and implications to middle management employees in South Africa. The availability of secondary data will influence the way data will be analysed in research (Brannen & O' Connel, 2017). Analysis of documents may utilize numerous ontological and epistemological approaches, including, content analysis, semiotics, discourse analysis, or grounded theory (Gross, 2018). The approach used and the sample taken by the researcher should be reflective of the purpose of the study and the research question (Gross, 2018). Irrespective of the approach employed with the analysis, there are some established steps in the qualitative analysis process: coding and categorizing interpretation and thematic analysis (Gross, 2018). Analysis of data derived from documents is about the search for explanation and understanding during which concepts and theories are likely to be advanced, considered and developed (Kayesa & Shung – King, 2020). Thus, data collected from documents must be handled scientifically and this means the application of specified and rigorous processes that are systematically followed to ensure authenticity, representatives and credibility of data and the ultimate conclusions (Kayesa & Shung – King, 2020). These systematic processes also involve the identification of irregularities and patterns while collecting data and paying attention to which data to include and exclude through data condensation, to condense large volumes of information to ensure that every piece of

data is reduced without losing its meaning as this would affect how the data is later displayed (Kayesa & Shung-King, 2020).

In public policy analysis at local conditions, documentary analysis, case study designs and intensive research approaches are important (Brannen and O' Connell, 2017). The research questions framing influences the method chosen that in turn influences the choice of analytic method. By so doing, the researcher can triangulate the true situation by examining where different data interest is (Silverman, 2010). The data analysis will be carried out as describe below:

4.3.1 Open coding

Data analysis is an iterative process whose result is bringing order to the huge amounts of data gathered from the field (De Vos et al, 2011). The process commences with browsing through all transcripts, followed by a continuous and repeated cautious reading of each transcript (Lofgren, 2013). The following step in the process of analysis is open coding. This is an activity whereby each idea noted and is given a name that represents a phenomenon (Bryman, 2016; and De Vos et al, 2011). The process of open coding in this study is based on the premise that words or phrases that are repeated in numerous places can be conceived as overtly important by the investigator. The investigator will read about something similar in literature, it is a reminder to the investigator of a theory or a concept, and that it is perceived as relevant (Lofgren, 2013). The ability to remain objective during the process of interpreting data is both central, key, and integral.

4.3.2 Axial coding

Axial coding is another step towards trimming the volume of created by merging those that are related. The process is almost like open coding in that the investigator reads the codes created with the intention of merging those that are related and dropping those that were less relevant. During this process the investigator will also create new codes to impart meaning to the data. It is important to note that with axial coding, the work looks more abstract than the initial process (Lofgren, 2013). The investigator will create some themes or categories.

4.3.3 Selective coding

Selective coding will be a process whereby all themes will be further divided into concise themes of a selected number that includes the final presentation. This normally involves ‘winnowing the data, and reducing it to a small, manageable set of themes to write into the final narrative’ (De Vos, et al 2011:338). During selective coding, one gets to decide the order of codes, usually, the process of coding brings a hierarchy (Lofgren,2013). The analysis process in this study will result in the establishment of themes that will make up the final write up of the research report.

4.4 Quality control

Quality control in all research activities is of critical importance and key to the credibility and recognition of the research results. Without a plan for quality control and supervision, itself, then, the validity and objectivity of the results is thrown in doubt. Qualitative studies are rooted in the constructivism paradigm; therefore, quality control

concepts like reliability, validity, and generalizability from quantitative studies have been replaced by trustworthiness, credibility, authenticity, transferability, dependability, and conformability as well as rigor (Creswell, 2013; Tracy, 2013; Bryman, 2016; Trotter, 2012). There is a need to convince the reader of qualitative studies that findings are of excellent quality despite the naturalistic nature of qualitative studies (Creswell, 2013). Quality control starts with a conceptually compelling, interesting, measurable, and timely study (Tracy, 2010).

This research will make use of primary sources of data and secondary ones including, published reports of high quality when it comes to scientific reliability and validity (Bryman, 2016). In this study, quality will be maintained using multiple publication which will provide data that will cover most variables involved.

It is important that from the onset of data collection is also supposed to follow appropriate ethical steps that add to the quality of data (Tracy, 2010). The process of analysis which entails repeated coding at different levels will be carried out several times. The researcher will utilize peer review where a peer familiar with restructuring reform (RR), help with analysis and comparison of codes. New ideas that will emerge will be factored into the final report. This process will help to further eliminate researcher bias. The use of reports from the department of Public Enterprises and others helped triangulate findings (Creswell, 2013; Cypress, 2017; Bryman, 2016; Tracy, 2010). In addition to meeting quality control in data collection and analysis, the outcomes of the studies and their findings will also reflect a symbiosis with research

questions (Tracy, 2017). Records of data collection are attached in the annexure section of the dissertation for further perusal.

4.5 Types of data

Documents which provide a first-hand account of an event or occurrence without interpretation or analysis are called primary data (Gross, 2018). These types of primary data would include minutes of board meetings because a meeting member generated the document as a record of the meeting, personal letters, e-mails, photos, policies, newspaper articles and advertisements (Gross, 2018).

Primary sources may not be published and may require more extensive research and greater time to identify and retrieve them from personal, public or historical achieves (Gross, 2018). The second type data is called secondary data. This type of data is developed because of analysis of primary sources and interpretation of the construct of interest (Gross, 2018). The use of secondary data, or the re use of data preceding research projects, can assist researchers to gain methodological and fundamental insights (Hessen link, 2017). The use of secondary data in research has become a recognized and established research method that enjoys concurrence in the UK and in Finland (Bishop & Kuula – Luumi, 2017).

Most of these documents were created for the purposes of sharing the interpretation with a wider audience and are often published in the public domain, therefore common

sources of documentary data include books, chapters, research articles, dissertations, literature reviews, and web pages (Gross, 2018).

4.6 Document sources and sampling.

4.6.1 Document sources

Sources of documents largely depend on the research question under investigation. There are many large document repositories in South Africa namely, National Archives and many national libraries. For majority of education research studies, the sources are more targeted with the data sources tied to the context of the topic under research (Gross, 2018). There are manifold examples of sources of primary types of data. These include company files personal records, communications, school records, local government, provincial and national government records state-owned enterprises records and newspaper archives (Gross, 2018). Secondary types of data include public and university library collections and periodical databases, websites, and clearing houses (Gross, 2018). It is however important to narrow down the list of potential document sources through a preliminary search (Gross, 2018). This can be especially helpful if the potential sources include databases or clearing houses with large quantities of potential documents to peruse (Gross, 2018). Thus, doing a preliminary search of the potential sources aids in identifying additional keywords to add to the search list, clarifying and defining inclusionary and exclusionary criteria and determining, which document sources yield the greatest quantity and quality of the documents related to the subject under study (Gross, 2018). When undertaking preliminary search, the research conducts a simple cursory review of the results returned, investigating closely enough to see patterns and determine quality and

quantity of relevant results (Gross, 2018). This process helps the researcher to identify the most appropriate and fruitful sources to use for sampling, (Gross, 2018).

4.6.2 Document sampling.

Document sampling must be approached in a systematic way and thus, keeping a record of decisions made regarding sources searched, methods utilized, keywords employed, and results returned can assist in ensuring a systematic approach and provide an audit trail for use by other researchers (Gross ,2018). Additionally considering the potentially huge selection of available documents related to the research question and creating a set of clearly defined inclusionary and exclusionary criteria focus the selection of documents and ensure authenticity and representativeness of those identified for the sample (Gross, 2018).

4.7 Inclusionary criteria

Inclusionary criteria are important for purposes of ensuring a systematic document selection and reducing irrelevant data collection. One parameter to consider when developing the inclusionary criteria is determining the age the documents (Gross, 2018). Researchers may choose to focus on a particular construct for a period of 5 years and limits the period of the documents required and narrowing the scope of time of the study. A researcher can elect to investigate an event from the past and will narrow the period to select the time frame in which the event occurred (Gross, 2018). A study can be narrowed to a particular geography or locality, although with forces of globalization and greater library digitization, researchers have access to information

worldwide on a global scale at their exposure (Gross, 2018). Researchers may limit data collection to national, regional provincial or local levels depending on the research question and context. Thus, when analyzing a new policy and its regulations to better understand its future implementation, the researcher may include only official government documents, as opposed to opinion-based editorials about the new policy (Gross, 2018).

4.8 Exclusionary criteria

It is important to have exclusionary criteria for purposes of narrowing the list of potential documents down to the final sample (Gross, 2018). All organs of the state which do not deal with the Spoornet were excluded for their possible political bias in the data acquisition. This research narrowed down the documents to specific documents from Spoornet, Department of Public Enterprises, COSATU, SATAWU, NEDLAC, NALEDI and Parliamentary Monitoring Group because these organisations have specific information concerning Spoornet and the discussions with the unions regarding the privatisation and restructuring initiative at Spoornet while excluding highly political organisations. Exclusionary criteria assist to ensure a systematic approach to the final section while ensuring representativeness, topic and content relevance and appropriateness (Gross, 2018). At this stage in data collection, a more in – depth review of the documents gathered is required (Gross, 2018). The researcher ensures that the documents gathered in the initial sample using the inclusionary criteria were appropriate to the study and reasonable for addressing the research question. Exclusionary criteria can be used to narrow search results and limit redundant representations in the sample (Gross, 2018). A researcher may choose to

allow only are document per author to ensure diversity of perspective represented in the sample (Gross, 2018). Once both the inclusionary and exclusionary criteria have been applied, the resulting documents will compromise the final sample (Gross, 2018).

4.9 Data collection and management

The researcher has an obligation to devise and develop a system for sample management and organisation. It is important to track essential demographics on each document to ensure that the collection is representative and on point for the research question (Gross, 2018). The development of a table identifying essential demographics on each document will help identify them. The context in which they were developed, and place them in relationship to each other (Gross, 2018). Some of the demographics recommended for collection on each document in the sample include title, author, audience; purpose, date produced, context and source of document (Gross, 2018). In addition to assisting the researcher to understand the relationship to the documents, it also helps ensure representativeness by pounding a means of sorting the document records by different demographics to reveal any overrepresentation of author, document type or source in the sample (Gross, 2018).

4.10 Coding and categorization

It is important to note that identifying the most appropriate codes to use to analyses the documents can be done inclusively, deductively, or some combination of the two approaches (Gross, 2018). From an inductive perspective, the researcher chooses a small, diverse subsample of documents (6 – 12) from the whole and conducts open

coding, line – by – line to determine the most appropriate codes with which to code the whole sample documents (Gross, 2018). From a deductive basis, the investigator can start with a collection of initial codes derived from the keywords used in the literature search and the knowledge gained in conducting the literature review of the study (Gross, 2018). This collection of predetermined categories then forms the basis for the codes used to analyses the small document subsample (Gross, 2018). Either method can culminate in the development of an initial codebook to apply the remaining documents. When an initial codebook is fully established with codes organised by categories, it should be tested against the subsample again to assure its appropriateness and completeness (Gross, 2018). After this, the codebook is utilized to analyses the whole document sample during the focused coding stage (Gross, 2018). Under documents analysis, the focused coding stage may involve the use of a worksheet or protocol to facilitate data extraction, ensure systematic analysis, and reduce time burden (Gross, 2018). With documents, often it is unnecessary to code line – by –once a codebook is established (Gross, 2018). This is largely because documents are developed for many purposes, and many will ultimately have sections of unrelated information unlike when analysing interview or focus group data (Gross, 2018). Thus, the utilization of a worksheet facilitates a more expedient and focused coding of the full sample, while still allowing for the inductive emergence of new codes and revision of existing codes based on comparison with coded data and definitions (Gross, 2018).

4.11 Interpretation

Because the documents gathered for the sample represent a diverse collection of different types of documents, developed for different purposes and for different audiences, the investigator will need to engage in interpretation of the data to concisely code and categorize (Gross, 2018). In some instance authors do not use the same vocabulary to describe the same concept, requiring the researcher to interpret the meaning based on the other content within the document in other documents, the author may merely describe the construct under study without ever naming it, so the researcher must then interpret the authors description and determining how to categories it (Gross, 2018).

4.12 Thematic analysis

Thematic analysis is in essence pattern recognition (Gross, 2018). Throughout coding and categorizing the researcher reviews the coded data and thinks about how it is connected, looking for big ideas that permeate the data and links within and across categories (Gross, 2018). These links or big ideas, recurring throughout the data are themes that describe an aspect of the construct or experience under investigation and answer the question, ‘how?’. Investigators may choose to use a conceptual framework to display the findings in a cohesive, visual representation of both the content and the themes identified (Gross, 2018). A conceptual framework is how the researcher share how the data are organised and connected and what it says about the construct under research (Gross, 2018).

4.12 Limitations

Using documents as data sources has numerous merits which include for example, cost-effective and efficient, readily available, nonreactive, stable, broad coverage). It has some limitations as well. These demerits include context-based and content-based limitations. The documents are produced for other purposes and do not have enough detail to sufficiently answer the question under research (Gross, 2018). This can be addressed through a broad representation in the sample of documents by different authors and written for different audiences (or diversified by other means appropriate to the research question) on the topic under research (Gross, 2018). Low irretrievability of the documents may present an obstacle, specifically for some primary types of data that may not be publicly available or are deliberately blocked (Gross, 2018). However, in the digital age, with many documents electronically stored, organisations and authors who may be archiving such personal documentation may be easily located and contacted, increasing retrievability rates (Gross, 2018). Documents may contain greater biases since they represent the views of a particular author, thus the sample may be subjective and have a problem of containing selective information as opposed broad and objective data if it represents and incomplete collection of limited selection of the available document on the topic (Gross, 2018). A clear definition of inclusionary and exclusionary criteria and using a table or database to manage the document sample can assist to reduce an overly biased or selective document sample (Gross, 2018). Document analysis can be weakened by a plethora of factors including confidentially issues, anonymity, limitation of availability of data and difficulty of obtaining sources (Olutola, 2014).

4.14 Summary

In this chapter, the researcher discussed in details of instruments that will be used for data collection. In line with the nature of the research problem, the researcher will use document analysis sometimes called document review for this study. This section also provides a roadmap on how data will be collected. Given, the foregoing, it can be concluded that documents are important sources of data, which can be relied upon by researchers in pursuit of understanding of a particular theme or research topic.

CHAPTER 5: PRESENTATION OF FINDINGS OF THE STUDY

5.1 Introduction

The study analysed the implication of restructuring and privatisation of South African State-Owned Enterprises (SOE)s on employees with specific reference to Spoornet. The objectives of the research were to provide information on the following: rationale for restructuring and privatisation of SOEs, implications of restructuring and privatisation of SOEs, employee trade union response, which has been divided into the Cosatu response to restructuring and privatisation of South African State-Owned Enterprises (SOE)s and Satawu resistance to restructuring and privatisation of SOEs in order to give a holistic perspective on trade union response since Cosatu is the federation and Satawu is an affiliate which take policy directives for Cosatu in terms of its programme of actions and other decisions. Document analysis was used to get data for this research. Documents study was used to answer all the research questions posed in this research. Results obtained from intensive document study are presented in this chapter. The data collection methods used for data collection and their suitability were presented in the earlier chapter. This chapter is made up of a background of the study setting followed by a report of the data analysed from document analysis method and lastly a summary of the chapter.

5.2 Presentation of data collected.

In this section, data obtained through document study is presented. The government of South Africa formulated the policy on restructuring of SOEs and implemented it in

many sectors of the economy. Many SOEs were affected by the implementation of the policy. Document study helped to explain the rationale for restructuring and downsizing, implications of restructuring and downsizing initiatives, employee trade union response to restructuring and downsizing, which has been divided into Cosatu response to restructuring and downsizing of South African State-Owned Enterprises (SOE)s, and Satawu resistance to restructuring and downsizing of SOEs .It is important to highlight that labour response to restructuring and downsizing of SOEs involved two major employee trade unions namely Cosatu and Satawu with Cosatu being the federation and Satawu as an affiliate. Most policies adopted by the Cosatu against the restructuring and downsizing of SOEs affect the affiliates operating on the shopfloor level like Satawu. Thus, most decisions which Cosatu adopted against the restructuring of SOEs impacted on the resistance strategies of Satawu as a union active in the transport railways sector. It is important to note that in 1984 South African railways which is under study employed approximately 170 000 employees and when the post-independence government involved SOEs in restructuring and privatisation and efficiency initiatives worsened by the road haulage deregulation, employee downsizing became irresistible. Table 5.1 below depicts the status of South African railways before independence.

Table 5.1: Nationalised industries – 1984

Selected industries listed by capital employed.

	CAPITAL EMPLOYED	**TURNOVER**	**EMPLOYMENT**
Escom Power Grid **Escom Power Stations**	24 413 565 000	3 831 713 000	64 560

S.A. Railways	12 011 578 000	4 886 199 000	170 000 (apx)
Sasol III	6 000 000 000 (apx)	n/a	25 000
Iscor	3 858 019 000	2 704 835 000	62 600
Telecoms Services	3 608 778 000	1 843 743 000	67 379
S.A. Harbours	1 156 953 000	732 821 000	35 000 (apx)
Postal Services	956 806 000	284 700 000	25 358
S.A. Airways	919 142 000	1 035 033 000	11 743
S.A.B.C. Television	n/a	n/a	n/a
S.A.B.C Radio			
S.A.			
Pipelines	165 621 000	202 309 000	5 000 (apx)
Alusaf	n/a	n/a	n/a
S.A. Road Transport	158 870 000	101 585 000	8000 (apx)(approximately)
Atlantis Diesel Engines	n/a	n/a (not applicable or available)	n/a

Source: DPE (2015)

The above SOEs were run on a nationalised industry system by the apartheid government, and they were performing well until sanctions were imposed on the colonial apartheid government by the global community which culminated in huge debts incurred by these SOEs.

5.2.1 The rationale for restructuring and privatisation of state-owned enterprises SOEs

One of the main objectives of this section is to explain the rational of restructuring and privatisation of SOEs. There are manifold reasons which propelled nations and governments to adopt restructuring and privatisation programmes as tools to improve operational efficiency effectiveness and sustainability of SOEs. SOEs were restructured and privatised to reduce their overdependence on the national fiscus. Many SOEs experience bad governance and as a result they collapse both financially and operationally. This trajectory of SOEs restructuring in the world is unavoidable because of poor performance and most governments partake in the implementation (Friebel et al., 2014). South Africa joined the bandwagon of SOEs restructuring after the 1999 Lekgotla in Mafikeng which took a decision to embark on the restructuring of SOEs to improve their operational performance and profitability and reduce their financial dependency on National Treasury. In South Africa the debates over SOEs resulted in the general agreement between labour, commerce, and government that the state-owned enterprises needed to be reformed through a restructuring process. Restructuring debates in South Africa resulted in the national framework agreement (NFA) of 1995 under the auspices of National development and labour council (Nedlac). Labour represented by Congress of South African trade unions (Cosatu), Federation of unions in South Africa (Fedusa), National council of trade unions (Nactu), business and the government of national unity (GNU), agreed on the restructuring framework. Thus, restructuring became an agreed upon trajectory by participating stakeholders. With an agreed upon framework, the implementation occurred in some SOEs with the resultant downsizing trajectory. The restructuring of SOEs must have a common vision and shared strategy and alignment at micro-

organisational level, meso-level and macro-organisational level. According to the Presidential review committee (PRC), restructuring of the state-owned enterprises was influenced by, democratic governance principles, overall government initiatives, long term vision of South Africa, PRC survey, modernization and technological changes, the need for revision of enterprises mandates, sustainability concerns, and responding to the world economic order. (PRC,2012When governments implement restructuring policies in their SOEs, the primary objective is to enable them to perform efficiently, effectively, profitably, productively and let alone competitively. The need to improve SOEs performance is hinged on two issues, mainly to improve the economy and to reduce their risk on government budget. The process of the restructuring of state-owned-enterprises, at best, aims at turning them into viable entities that are economically and financially sound so that they can contribute towards economic growth in South Africa and the region. The restructuring programme in South Africa, aims at creating fair accessibility and economic participation by all economic participants. The restructuring of state-owned enterprises in South Africa leads to the withdrawal of state control, and authority over the provision of services. Most state-owned enterprises in South Africa find themselves debt-strapped like Transnet, SAA, and ESKOM. The restructuring of state-owned enterprises SOEs leads to financial-burden alleviation, whilst creating economically viable entities out of these enterprises. The state must create an enabling framework such as regulatory reforms and institutions, which facilitates the process of the restructuring of state-owned enterprises. It is critical to mention that for the South African government, SOEs influence the socio-economic goals therefore the unending endeavours to control them through an appointed board, a shareholder ministry, a policy ministry, presidential committees or a Presidential State-Owned –Enterprises Coordinating Council

headed by the president of the republic (This is another layer of oversight for the top seven SOEs namely Eskom ,Transnet, SAA, SABC ,PRASA, Denel, South African Road Agency, City Press 28 August, 2016). This significantly reflects the extent to which government endeavours to control SOEs. Restructuring them through downsizing results in employee reductions to cut the financial costs of running the SOEs in South Africa. In South Africa the debates over economic policy resulted in the general agreement between Labour, Business, and government that the state needed to be restructured. (Mostert,2002). The private sector generally prefers the state to act as an enabler than a fulltime participant in the economy. In South Africa the essential issues pertained to the form of restructuring and the decision-making leadership of restructuring. (Mostert,2002). The private sector prefers a free-market approach to restructuring because they believe in less government and a lean state. Restructuring debates in South Africa resulted in the national framework agreement (NFA) of 1995 under the auspices of NEDLAC. Labour represented by Cosatu, Fedusa, Nactu, business and the government of national unity (GNU), agreed on the restructuring framework. Thus, restructuring became an agreed upon trajectory by participating stakeholders. With an agreed upon framework the implementation occurred in some SOEs with the resultant downsizing trajectory. In the OECD countries the rational for undertaking restructuring and privatization are summarized below:

Examples of reasons for restructuring and privatisation in OECD countries:

- In the Netherlands, the decision to maintain ownership or privatise depends on whether a public interest needs to be safeguarded through shareholder ship. The Dutch state enterprises' portfolio can be divided into three categories: *permanent, non-permanent and temporary enterprises. Temporary enterprises* include financial institutions such as ABN AMRO, ASR and SNS Real. According to the government, they should be returned to the private sector when the financial sector is sufficiently stable, and the market shows sufficient interest and they themselves are ready for this transition. So far, the government has announced the sale of *non-permanent* enterprises such as Holland Casino and Staatsloterij.

- Norwegian motivations for privatization have changed somewhat in the period under review. They are derived from the state ownership policy according to which there are four categories of SOEs with different objectives for ownership. SOES where the government has only commercial interests (category 1) are normally considered to be candidates for privatization. The ownership policy is developed, and revised at regular intervals, by the government. The ownership policy is passed by parliament and communicated to the public.

- Privatisation in Poland is motivated by the con5ideration that a state-owned company is no longer needed for public purposes and/or does not fulfil its economic or social objectives. Usually, decisions on the sale of shares are made based on a cost-benefit analysis, considering the state treasury's interests. State-owned shares can only be sold with approval from the Council of Ministers. So far, the Polish government has completed two

decades of ownership transformation processes, which has resulted in a significant change in the state treasury portfolio and a decrease in the number of entities with state treasury shares.

- In Sweden, objectives are largely applied on a case-by-case basis. They are based on the basic position that government ownership should not occur in companies operating in competitive markets, except where these have a specific public service assignments that could not be well exercised otherwise. Objectives are communicated to the public by the government when seeking parliament's mandated to privatize. Announcements can be rather generic, stating that a review of state of ownership has been carried out and there are no reasons for continued ownership, or they can be more explicit.
- Turkish privatisation objectives are laid down in the national Privatisation Law of 1994, according to which the process of privatisation aims to: minimise the industrial and commercial activities of the stare in the economy and contributing to a competitive market economy; reduce the financial burden of SOEs on government budgets; and improve capital markets and re-channelling resources towards new investments. In practice, privatisation has become seen increasingly as a welcome source of fiscal revenues.
- In the United Kingdom, privatisations are largely politically motivated and backed by a strong belief that provision of public services can be more efficient if managed and delivered by the private sector, given the profit incentives, the reduction in political interference and diverse shareholder base*. OECD (2018).

The restructuring of SOEs must have a common vision and shared strategy and alignment at micro- organisational level, meso-level and macro-organisational level. According to the Presidential Review Committee (PRC), is important to note that restructuring of the state-owned enterprises was spurred by a swathe of factors as below:

i. Plethora of piecemeal and uncoordinated restructuring in all spheres of government.

ii. The upcoming 20 years of democratic governance, among others, required a comprehensive review of success and failures of all organs of state including Public Enterprises.

iii. The eminent launch of a new long-term vision for the state and the need for alignment thereof.

iv. The outcomes of the PRC survey on several non-viable enterprises.

v. Rapid modernization and technological changes across all sectors of society and the economy.

vi. Some enterprises are still operating on outdated mandates and legislation.

vii. The need for South Africa to respond decisively to future challenges such as food security, water, energy sustainability, telecoms, financial markets, etc.

viii. Respond to ever changing and dynamic global social, economic, and political imperatives (PRC,2012).

The above factors have necessitated the restructuring of SOEs in South Africa. Even today in South Africa many SOEs are experiencing severe financial operation and governance challenges which has impacted on the performance of the economy and placed pressure on the finances. (SONA, 16 February 2018).

Other countries have their various reasons for adopting restructuring and privatisation. Many factors influence German, Hungary and Israel as shown below.

Motivation for Restructuring and Privatization (German, Hungary, and Israel)

- The German government has issued an official ownership policy which, among other things, establishes a purpose of state ownership. If the purpose is not, or no longer applicable an SOE will, in principle, be privatised. The Federal Budget Code establishes that there must be “an important interest” in ownership on the part of the state and this purpose “cannot be achieved better and more efficiently in any other way”. In addition, principles of good corporate governance in SOEs exist and the understanding is that if a company cannot, or will not, abide by these then it is a candidate for divestment.
- In Hungary, the Fundamental Law affirms that state and municipal government property be considered as national assets. Parliament defined the criteria of transparent and responsible management of national assets, in Act CXCVI of 2011 on National Assets, to ensure the use of national assets for the sake of public interest and public needs. Other rationales for state ownership include preservation and safeguarding of natural resources with the intention of ensuring the needs of future generations. Privatisation is considered when the government wants to set up a more efficient and cost-effective way to manage national assets. and utilise state property and national assets.

- In Israel, the decision to privatise an SOE is most often motivated by the consideration that state ownership is no longer needed fir public or strategic purposes. Also, the privatisation objective can be devolution of certain functions to lower levels of government by transferring ownership in an SOE to a local government entity.

Source: OECD (2018)

The implementation of restructuring policy in SOEs has precipitated workforce reductions through downsizing. This has become a major problem in the State-Owned Enterprise sector. Retrenchments, layoffs, casualization, and involuntary retirements have increased astronomically in the railways sector. Most SOEs in South Africa have pursued restructuring and privatisation to cut their costs of operations. To achieve this, they focused on employee downsizing to reduce the salaries budget and so attaining financial cost savings at the expense of workers. Spoornet has downsized tremendously since 1997 to 2008. The rational for this was to reduce operational costs and to entrench financial stability and viability and to reduce dependency on national government for financial support. Historically, a plethora of factors fostered companies to downsize, ranging from economic global conditions, the financial crisis, the mergers, and acquisitions. In the present economic dispensation globally most companies and SOEs, have resorted to downsizing as a measure to cut costs of operations. For SOEs in the railway sector government must participate in coordinating many activities to enable the SOEs to function particularly the franchising system during the reform process. The following points explain the role of government in implementing a competitive railway franchising system.

The Government's Role should include:

- Creating a Competitive Market Structure

  Developing a successful service franchising agreement requires the establishment of a competitive structure in the industry. Sometimes this will necessitate the fragmentation and corporatization of an existing parastatal monopoly, which will usually require legislation.

- Franchising Arrangement Design

  Selecting the form of franchising arrangement to be employed and designing the contracts appropriately is an important residual role of government.

- Procuring Services and Monitoring Contract Performance

  The procuring services, and. Monitoring contract performance is usually undertaken by a specialist professional agency working on behalf of the franchising authority.

- Contract Enforcement

  Enforcing contracts, which may mostly be through persuasion, negotiation and discussion between the procuring agency and service supplier but must ultimately be a matter of law. The right of the procuring agent to terminate a franchise based on properly specified performance criteria is an important element in the smooth and non-litigious operation of a franchising regime.

- Policy Co-ordination

  Policy coordination may be necessary; especially where there is significant interaction between sectors or other external effects.

Flagged by weak funding methods most SOEs have embarked on massive cuts on their staff requirements. In a nutshell, this is how the origins of the concepts of downsizing is depicted by several scholars. For decades most employees would join the organisation of their choice and work until retirement and collect their retirement package. In the contemporary global economy, the world exists; currently it is no longer possible because of the ever-changing economic trajectories. Thus, the concept of working until retirement is currently rarest. The world has gone through so many technological and economic vicissitudes unlike eight decades ago. Governments have adopted economic policies that have changed or forced organisations to change their operational parameters and production scope. Thus, change is inescapable and irresistible in today's global economy. Global competition, market collapses, and state deregulation policies, all engender organisational restructuring through downsizing (De Pater et al., 2011). In fact, if SOEs are to continue their operations without acute dependency on government public finance, they have no choice except to maintain a very lean and sustainable workforce. Historically, the argument that reducing labour costs improves the balance sheet played a key role in the determination of the choice to downsize enterprises or the retain the large workforce characteristic of most post second world war entities of government. In previous decades attention was mostly given to employees who lose their job through downsizing, but the survivors of the tragedy were given less attention because of the spurious assumption that they have at least kept their jobs instead of being laid off. For stakeholders in the railways SOE sector, the rational for restructuring SOEs in the sector are manifold. The table below shows the stakeholders' objectives in the railway restructuring.

Table 5.2: Stakeholders' objectives in railway SOEs restructuring.

Stakeholders' Objectives in Railway SOEs Restructuring	
Possible Objectives or Priorities	**Stakeholders**
[a] Maximization of the Proceeds of Railway Restructuring. Reduced Budget Outlays and Lower Subsidies	Central Government, Local Authorities and Taxpayers
[b] Operational and Cost Efficiency	Central Government, Local Authorities, Freight Users, Passengers and Private Shareholders.
[c] Better Resource Allocation and External Efficiency	Central Government, Local Authorities, Taxpayers and other Transport Users
[d] Innovation, Market Development and Dynamic Efficiency	Central Government, Local Authorities, Freight Users, Passengers and Private Shareholders
[e] Enhanced Social Equity	Central Government, Local Authorities, Taxpayers, Passengers and Poorer Socio-Economic Groups
[f] Effective Environmental Protection, External Efficiency and Optimal Model-Mix	Central Government, Local Authorities, and Environmentalists
[g] Risk Minimization	Central Government, Local Authorities, Freight Users, Passengers and Private Stakeholders

(Author's compilation)

SOEs spend their incomes in conducting research which pertains to the welfare of the those who were victims(leavers) of the employee reduction initiative. The welfare of those who remained was not an interesting topic to corporate decision makers. Downsizing programmes are enacted in response to changing political and economic environment, locally and globally. There are so many technological evolutions that have made work or jobs simpler and easier than they were fifty years ago; therefore, companies naturally have to shed-off employees in response to the technological stimuli (De Pater et al., 2011). The intention of embarking on restructuring through downsizing is to enhance organisational growth and efficiency. Cost cutting campaigns are imperative for the organisational survival especially in a competitive global market.

Change involves continuous organisational adjustments in a bid to relate to market demands and technological innovations experienced in the industry or country. Historically, a plethora of factors fostered companies to downsize, ranging from economic global conditions, the financial crisis, the mergers, and acquisitions. In the present economic dispensation globally most companies and SOEs, have resorted to downsizing as a measure to cut costs of operations. Flagged by weak funding methods most SOEs have embarked on massive cuts on their staff requirements. In a nutshell, this is how the origins of the concepts of downsizing is depicted by a few scholars. For decades most employees would join the organisation of their choice and work until retirement and collect their retirement package. In the contemporary global economy, the world exists; currently it is no longer possible because of the ever-changing economic trajectories. The concept of working until retirement is currently rare. The world has gone through so many technological and economic vicissitudes unlike eight decades ago. Governments have adopted economic policies that have changed or forced organisations to change their operational parameters and production scope. Thus, change is inescapable and irresistible in today's global economy. Global competition, market collapses, and state deregulation policies, all engender organisational restructuring through downsizing (De Pater et al., 2011). In fact, if SOEs are to continue their operations without acute dependency on government public finance, they have no choice except to maintain a very lean and sustainable workforce. Historically, the argument that reducing labour costs improves the balance sheet played a key role in the determination of the choice to downsize enterprises or the retain the large workforce characteristic of most post second world war entities of government. In earlier decades attention was mostly given to employees who lose their job through downsizing, but the survivors of the tragedy were given less attention

because of the spurious assumption that they have at least kept their jobs instead of being laid off. The government of South Africa's restructuring and privatisation initiatives focused on major SOEs shown below:

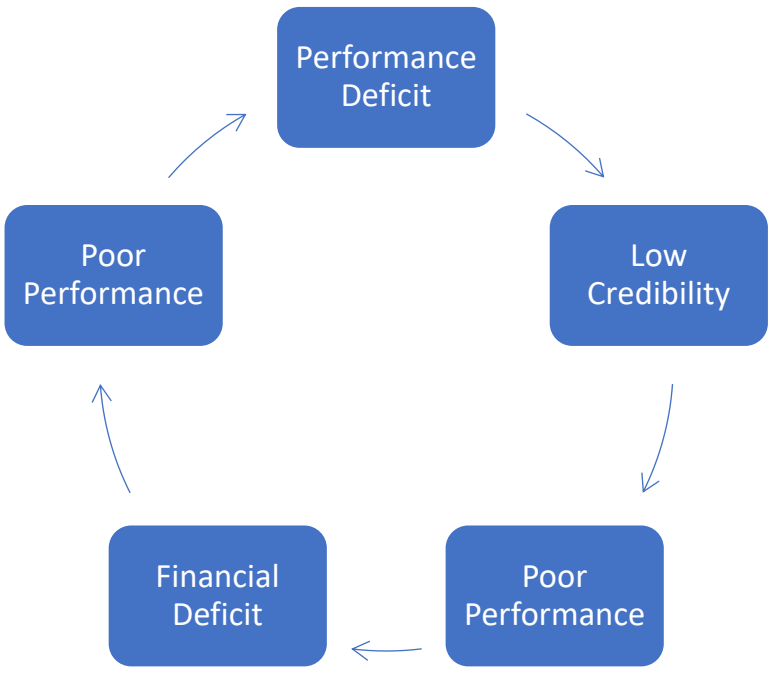
Major State – Owned Enterprises in South Africa

- Eskom Electrical power production and distribution set up in the 1920s.
- Iscor: (Iron and Steel Corporation :) Iron and steel production established in the 1920s.
- Foskor (Phosphate Development Corporation): Mining and processing of phosphate minerals for fertilizers and other uses.
- Sasol (South Africa Coal, Oil and Gas Corporation); primarily involved in the production of coal and its use for synthesizing gasoline. The motivation for the synthesis of gasoline from coal was the petroleum embargo imposed on South Africa.
- Soekor (Southern Oil Exploration Corporation): FOSKOR, SASOL and SOEKOR were created by the Industrial Development Corporation (IDC) which was established in 1940 to build domestic industries which would supply goods likely to be unavailable from foreign sources because of the Second World War.
- The Postal Service: which in addition to supplying postal services operated a subsidiary parastatal (TELKOM) which provided telephone services?
- SABC (South African Broadcasting Corporation): For television in South Africa there was one channel that alternated English-language and Afrikaans programming and other languages of South Africa.

- ARMSCOR (initially Armaments Development and Production Corporation and later Armaments Corporation of South Africa): Agency with responsibility for managing the search, development of small arms ammunition, military vehicles, and military optical devices. This included operation of the state-owned enterprises such as the rifle factory of Littleton Engineering Works and supervision of government contracts with private suppliers.
- SAA (South African Airways). The acronym for an enterprise was based upon either its name in English or Afrikaans TRANSNET (including Spoornet) (Jerome & Rangata, 2003)

SOEs suffer from performance and financial deficits hence the need to restructure them. This cycle is shown in Fig 5.1 below:

Fig. 5.1: SOEs' performance and financial deficit cycle



In most cases the SOEs suffer poor performance, low credibility, financial deficit so management normally take an executive decision to restructure them. In South Africa many SOEs are affected by financial deficits annually and monthly. Poor performance continuously leads to a bad reputation and low credibility. Downsizing programmes are formulated in response to changing political and economic environment, locally and globally. There are so many technological evolutions that have made work or jobs simpler and easier than they were fifty years ago; therefore, companies naturally have to shed-off employees in response to the technological stimuli (De Pater et al., 2011). The intention of embarking on restructuring through downsizing is to enhance organisational growth and efficiency. Cost cutting campaigns are imperative for the organisational survival especially in a competitive global market. Change involves continuous organisational adjustments in a bid to relate to market demands and technological innovations experienced in the industry or country.

The rationale to restructure SOEs can be linked to poor performance issues and the need to rectify it. SOEs suffer from a plethora of performance challenges, which debilitate them financially and consequently weakening their financial sustainability and operational efficiency, effectiveness, productivity, profitability and let alone greater competitiveness, from a broader and widest sense of operational viability of SOEs hence the need to restructure them. Figure below shows some of the performance challenges of SOEs.

Table 5.3: Performance challenges in SOEs

Challenge	Description

Inadequate capitalization	SOEs rely on debt and finance to fund basic operations, but this may not be enough to fund capital intensive projects especially rehabilitation and upgrading of infrastructure in the utilities and network industries.
Below-cost pricing	Tariff structures may need to be revisited. Compensation may be required for non-commercial services.
Remnants of poor investment decisions	Remnants of initial investment decisions in industrial and commercial SOEs; lack of ability to adjust to changing market conditions.
Collection deficiencies	SOEs have been underfinanced partly because they have not been able to collect on services (historically).
Inadequate reporting systems	Inadequate reporting and monitoring do not allow for transparency and accountability surrounding SOE cost structure. Further, they do not help expose where SOEs may be over or under financed, or shield them from the misuse of public budgets, corruption, etc.
Unqualified boards of directors	Members of SOE's boards may require further professionalization and shielding from the political apparatus.
Other requirements	Encouraging and attracting talent to SOE boards and in SOE management. Upgrading or downsizing SOEs to ensure efficient functioning.

Source: DBSA (2012).

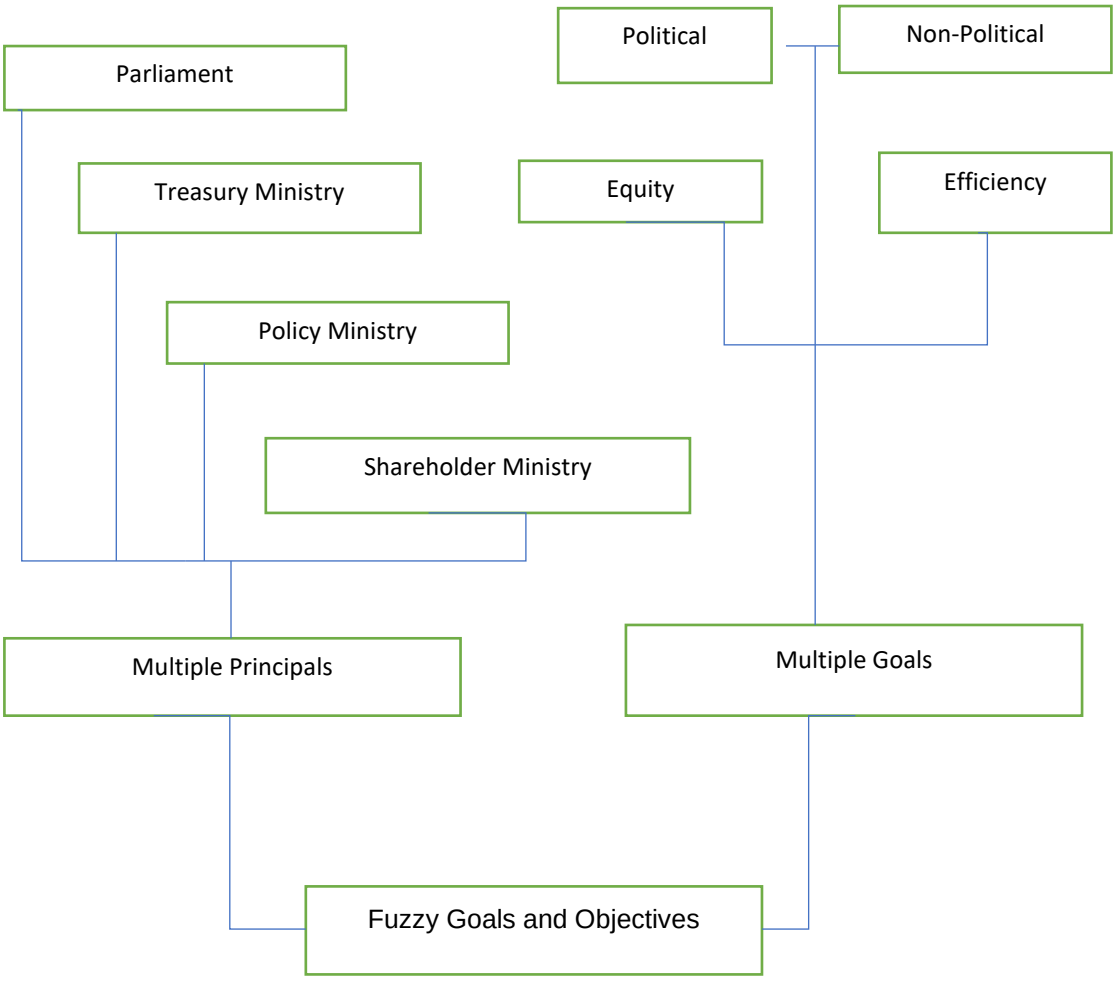
Given the above, there is obviously a critical need to improve the performance of many SOEs because the above challenges cripple them in all respects, financially or otherwise. Improving SOE's corporate governance is significant. Thus, most governments in the Southern African region have been at pains to ameliorate the corporate governance of SOEs through various reforms which aim specifically to:

- Improve the efficiency of SOE as compared with private entities to ensure that SOEs are not a drag on national and fiscal resources.
- Remove some of the privileges accorded to SOEs – whether *de jure* or *de facto* – by policy makers and regulators, with the aim of stimulating private commercial activities.

- Focus on specific sectors with an element of natural monopoly where SOEs dominate (e.g., utilities and other network industries), with the aim of boosting the productivity of downstream economic activities.
- Control corruption and other illicit activities and prevent the use of SOE as conduits for “rent seeking” practices.

Considering the above, it can be noted that the need to restructure SOEs was accelerated by the desire to rectify bad performance issues. One of the major rationales of restructuring SOEs in South Africa is to strengthen their structural accountability and governance structures. There are so many reporting lines and structures of management both politically and administratively, that pose a challenge to good governance in SOEs. Public enterprises are crippled by multiple goals and structures of accountability. Politically, they report to a policy ministry which identifies various operations for the sector of operation. They also account to the shareholder ministry (the ministry of public enterprises), as well as to the board of directors, and they are scrutinized by the Presidential Council on SOEs. At some point, all poorly performing SOEs must be monitored by the department of treasury. The rationale for restructuring these SOEs therefore lies in the need to pursue clear governance processes with no confusing roles from the policy ministries and shareholder ones. Fig 5.2 shows the multiple goals and structures of accountability within SOEs.

Fig 5.2: Multiple principals with multiple objectives



(Authors's Compilation)

Given the foregoing, it can be concluded that the rational to restructure and privatise SOEs, is based on the need to make SOEs efficient, effective, profitable, productive, and in addition, be competitive. The lack of financial independence of SOEs has led to fiscal depression for the national government. In South Africa SOEs report to multiple governance structures that are hierarchical, resulting in bureaucratic red tape and corruption. The democratic government that took over in 1994 faced the following challenges:

- Restructuring state owned assets in the context of a political transition

- Severe disparities in income among the races, genders, and the urban rural divide
- SOEs which had catered for the interest of the minority now had to cater for all South Africans.
- SOEs were part of the State's repression machinery.
- SOEs had to be brought in line with the transformation of the State as a whole.
- Many SOEs were large and were governed outside the confines of the Companies Act and other relevant legislations.
- Pre-1994 privatisation was not transparent - there was no stakeholder consultation.

(GFFE, 2005)

The government gave innumerable financial bail- outs to most SOEs but these were futile exercises hence the thinking that restructuring and privatisation is a panacea to all these problems. The department of Public Enterprises has a mandate to restructure the SOEs in line with the SARPR programme. The DPE's restructuring Mandate includes the following:

- Accelerate the restructuring agenda of SOEs.
- Maximise shareholder value.
- Pursue regulatory reform.
- Promote macro-economic growth, competition, and private participation in monopoly sectors.

- Promote wider participation in the economy, thus promoting empowerment restructuring (BEE).
- Mobilise private capital and expertise and accessing globally competitive technology.
- Ensure that SOEs are efficient and promote service delivery by freeing resources for social services and infrastructure spending.
- Monitor and measure the performance of SOEs.
- Contribute to lower public sector borrowing.
- Mitigate country risk associated with implicit and explicit contingent liabilities (guarantees)
- Promoting sustainable employment through economic improvement
- Ensure that consumers benefit from lower prices and higher quality services brought by expanded competition.

  (GFFE, 2005)

5.3 Confederation of South Africa Trade Unions (Cosatu) response to the restructuring and downsizing of State-Owned Enterprises (SOE)s

Across the world, most unions have resisted the implementation of the restructuring of State-Owned-Enterprises or public enterprises through various methods. Trade Unions normally mount consistent and robust opposition to government initiatives of restructuring State-Owned-Enterprises (SOE)s. There are manifold reasons which propel trade unions to resist government efforts to restructure state assets usually called State-Owned Enterprises. They argue that such initiatives result in job losses,

severance packages, early retirement, job insecurity, retrenchments and weakening of trade unions and their collective bargaining power.

Trade unions view restructuring of State-Owned-Enterprises as the key propeller of unemployment because, traditionally, employees lose their employment in SOEs. Restructuring of SOEs incite massive employee downsizing. The restructuring of the rail industry in Latin America impacted negatively on employees because the concessionaires were allowed to have the freedom to employ only based on their operational requirements (Mescht, 2005). In other words, they were given the liberty to maintain only the labor force they needed and to downsize the rest (Mescht, 2005). In Argentina rail restructuring resulted in a reduction in the number of employees by ninety-two percent, in Bolivia by eighty percent and in Brazil by seventy five percent (Mescht, 2005). Employees are constantly retrenched during restructuring processes (Mescht, 2005). Given, the foregoing, it can be concluded that employee downsizing occurs, because of the restructuring of state assets. Thus, unions resist the implementation of the restructuring of SOEs by governments, across the world.

In South Africa, many trade unions have reacted negatively to the restructuring of State-Owned Enterprises. This research focuses on the response of the trade union federation called COSATU (Congress of South African Trade Unions) because of the central role it has played in the resistance to the restructuring of SOEs in South Africa. COSATU stands for many union formations which work in the SOE-sector. This research has also chosen to explore the specific response of SATAWU (South African Transport and Allied Workers' Union), because it is the major union in the rail sector (freight rail sector) which is the specific focus of this study. A plethora of documents

ranging from policies, memoranda, campaign bulletins, congress reports, releases, parliamentary select committee reports, parliamentary progress reports, trade union research reports, white papers and resolutions and task team reports, have been extracted from COSATU and SATAWU and used in this research.

COSATU, resisted, job losses, retrenchments, involuntary severance packages, workforce reductions, job insecurity, employee casualization, increased unemployment and decline in jobs, which all emanated from the processes of the restructuring of State-Owned enterprises in South Africa. In other words, Cosatu was opposed to the employee downsizing which accompanied the techniques of the restructuring of state-owned enterprises in South Africa. However, Cosatu (South African Congress of Trade Unions) became part of the ruling alliance of the African National Congress (ANC), COSATU/ SACP (South African Communist Party and therefore, became part of policy making by the government of national unity (GNU).

However, in South Africa, COSATU, has played a key role in resisting most government initiatives which sought to put SOEs under private sector ownership during apartheid and in the post-apartheid epoch, thus, it has a traceable history of resistance and a track-record of representing employees in their struggles. It has established itself as a key figure in trade unionism in South Africa (Bieler et al 2008:16). It is thus, logical, to explore trade union resistance with specific reference to COSATU. This research has also chosen to use COSATU because, apart from being a trade union resistant movement, it has participated in the government of national unity (GNU) and consecutive democratic governments after the collapse of the GNU,

until the present. COSATU had and has an insider perspective on the policy of restructuring of SOEs in South Africa, starting with its role in the National Framework Agreement normally referred as NFA. COSATU has resisted government initiatives to restructure SOEs, informed by its role against the apartheid government (Buhlungu, 2010).

In South Africa, African trade unions have had a long history of resistance against the apartheid government and its policies. Thus, they have a political response to the government's policy of restructuring of SOEs. African trade unions have a liberation and development orientation, apart from their trade union role in South Africa (Buhlungu, 2010). COSATU has been crucial in the resistance to government policy and the issues of the employees and the working class in general since apartheid. For this reason, it has a very interesting role in the resistance against the policies of government, which it considered as neo-liberal or free- market or private-sector interests- propelled, such as restructuring and privatization (in its various forms). Thus, it is very important to give a brief background to the origins of COSATU, since; it shaped the response to the restructuring and downsizing of state-owned enterprises through various avenues or methods of restructuring.

COSATU was formed in December 1985 during the state of Emergency that was imposed by the apartheid government (Mackay & Mathoho 2001:7). The State of Emergency was declared by the then apartheid president of South Africa, P.W. Botha in mid-1985 (Frederikse, 1986). This environment affected how COSATU related to the apartheid government and shaped its political and ideological approaches to trade

unionism in South Africa. Consequently, COSATU engaged with the UDF (United Democratic Front) in 1986 in South Africa and the African National Congress (ANC) in 1987, in Harare, Zimbabwe. COSATU and the UDF instigated a two day stay-away against white-settler- only elections (WSOE) in South Africa in 1987. One million citizens successfully participated in the two day stay-away (Mackay & Mathoho 2001:8).

It is important to note that in 1987, COSATU assumed and adopted the Freedom Charter as its guiding ideology, just like the ANC, thus declaring its political role and its beliefs. The apartheid government responded by sanctioning COSATU's political role and beliefs. It also sanctioned COSATU's political engagements in South Africa (Mackay & Mathoho 2001:8). Already COSATU was participating in the liberation struggle initiatives with the UDF, and the ANC prior the democratic elections. COSATU resisted apartheid and the colonial labor Relations Act which was designed to constrict employees' rights to engage in a strike between 1989 and 1990. In 1991 COSATU initiated a strike against value-added tax (VAT) and again in 1992 COSATU lobbied for the creation of a National Economic Forum (NEF) now known as NEDLAC (National Economic Development and Labor Council), COSATU, 1995). In 1994 COSATU engaged in the Reconstruction and Development Programme talks with the ANC, with the result that most of the trade union's leaders joined the 1994 government of national unity (GNU) as leaders at all levels of government (Mackay & Mathoho 2001:8). Within the framework of the GNU, COSATU participated and influenced, the Employment Equity Act of 1998, the skills Development Act, Labor Relations Act of 1995 and various social welfare policies including retirement funds and unemployment

insurance. COSATU had significant problems with the policy of Growth Employment and redistribution (GEAR) which outlined the government plans to embark on restructuring and privatisation of SOEs. GEAR embraced the restructuring and privatisation of SOEs which COSATU felt precipitated massive employee downsizing and exacerbated poverty and worsened unemployment in South Africa.

The RDP policy was also another policy which the post-independence government adopted. It recommended the restructuring and privatisation of SOEs to facilitate acquisition of funds to finance the RDP programme. Although COSATU opposed this move, it was part of the Government of National Unity in alliance with the ruling ANC. It opposed the government's intention to restructure and privatise SOEs. COSATU campaigned for fair employment standards in South Africa (COSATU, 1997). It also led a successful initiative against job losses and the high poverty level in South Africa in May 2000 (COSATU, 2000).

The foregoing clearly depicts the political and struggle credentials of COSATU, which profoundly influence its response to any government policy initiative. This political background of COSATU helps us to come to grips with the COSATU way of thinking and consequently enables us to grasp its response to the restructuring of State-Owned Enterprises and its implication for employees. Historically and politically, it can be deduced that in the pre-democratic dispensation**,** COSATU played a trade union role as well as a political one in defence of workers' rights and well-being. In 1985 at its first and founding congress, during the apartheid era, COSATU loudly proclaimed its

working-class centred approach in all discussions relating to fair distributing of wealth and economic restructuring (COSATU, 1985).

At its 1987 second congress, COSATU, informed by its socialist's ideology, emphasized that economic and social transformation was necessary to improve the lives of workers. The conference also stressed the need for educating workers about the Freedom Charter, socialism, and democracy. (COSATU, 1987). By stressing the need to know the Freedom Charter and adopt socialism and democracy, COSATU demonstrated its anti-capitalism position in its way of thinking in the trade union's reaction to economic policy. Therefore, it opposed to the government's privatisation trajectory.

After the unbanning of political organizations in 1990, COSATU articulated its vision for socialism in economics and politics at an Economic Policy Conference in 1992 and proffered the perspective that the direct causality of the poor economic state was a blend of apartheid rule and the existence of capitalism and its practice (Bramble & Barchiesi 2003). The COSATU, 1992 Economic Policy Conference reached an agreement on the following resolutions:

- Working class power (economic and political) be espoused over production and distribution of investment and surplus according to social needs.
- The even development and support for the development of other economies by the South African economy be proposed.

- Civil society campaign for state intervention to ensure that resources and power are redistributed, with strategies such as "… nationalization, antitrust legislation and other forms of legislative intervention, including price control".
- The principle of "growth through redistribution" be championed.
- Trade be geared towards "full employment and fair labor standards in all countries".
- Industrial policy should facilitate the creation of full employment, provide affordable quality goods, pay a "living wage and contribute to human resource development".
- "Full socialism" should be achieved, mentioning such typically socialist principles as workers' control of the means of production and social ownership; and
- COSATU take up "… the need for industry to adopt environmentally sustainable policies" which is contrary to the neoliberal mantra of accumulation above all else. Indeed, Teeple (1995:150) asserts that expanded capitalism (the expansion facilitated by neoliberal policies has "seriously degraded nature". (COSATU, 1992).

Most organizations are guided in their actions by their conference resolutions and decision. The emphasis on greater competitiveness, and redistribution through growth comes out very strongly in this conference. Thus, a more classical Keynesian inclination of COSATU can clearly be discerned from these conference arguments. It is a notable shift in COSATU's socialist discourse in its approach. COSATU was also instrumental in the formulation of the programme called Redistribution Development Programme (RDP), which is one of the earliest ANC economic policy documents. In

1996 COSATU conceptualized and adopted the social equity and Job Creation (SEJC) document.

The document, posited the following:

- Blames low wages, apartheid policies, “preference for speculative activity” [rather than capital investment] and “weak competition policies”;
- Suggests redistribution of wealth and makes no mention of power.
- Ignores the social forces that would drive or obstruct the path of the programme.
- Wants institutions that drive the globalization of the world economy to include trade unions; and
- Concentrates on unionized workers rather than the working class as a whole, (SEJC, 1996).

Given the foregoing therefore it can be deduced that COSATU now assumed an ideology closely inclined toward Right- Keynesianism, contrary to its 1987 policy position. The above five points reflected a profound concern for unionized employees than challenges of the working class in general. This position may have been influenced by COSATU’s alliance with the ANC and South African Communist Party (SACP), in the new government of South Africa. According to the 1992 Economic Policy Conference, working class power was seen as critical in the attainment of socialism by COSATU but the above points seen to point to a shift towards the Right by Cosatu (COSATU, 1992).

A quick comparative analysis of the 1992 conference decisions and the 1996 Social Equity and Job Creation documents, clearly depicted a shift from a socialism-

inclination to the right by COSATU. The 1996 document does not depict capital as the enemy anymore as was the position of COSATU in 1987 at its founding conference. When COSATU accepted notions of opening the economy, productivity, open economies, competitiveness and social adjustments initiatives, neoliberalism naturally crept into its ideology. In another document called Advancing Social Transformation in the Era of Globalization, COSATU encouraged the alignment of COSATU with sections of the capitalist class and abandoned class politics (Lehulere, 2003).

Given the COSATU documents, it can be deduced that in the 1980s and early 1990s COSATU propelled a socialist agenda, which it shifted to a Keynesian trajectory in 1997(Lehulere, 2003). The, 2000, document called Advancing Social Transformation in the Era of Globalization showed a greater inclination towards capital. The 2006, Social Equity and Job Creation document embraced a neo-liberal trajectory and an inclination towards Right-Keynesianism, a position at variance with the 1997 position of COSATU. This ideological development of COSATU shaped its response to the restructuring of state-owned enterprises, starting with its participation in the government of national unity (GNU) and the acceptance of the NFA (National Framework Agreement), to the ANC, COSATU, SACP alliance, which laid the foundation for the restructuring of state-owned enterprises in South Africa. Labor, government, and business agreed that the state had to be restructured but disagreed on the nature the restructuring. It was COSATU, which differed and disagreed on the manner of restructuring the state, owing to their anti-liberation ideological stance. COSATU opted for a development state while business chose a leaner and efficient state (Jerome & Rangata, 2003).

Most governments around the world formulate relevant public policies on the restructuring and privatization of SOEs to engender operational efficiency and effectiveness and reduce the unending financial dependence of those SOEs on national governments. COSATU has resisted most government policies on the restructuring of SOEs, beginning with the apartheid government's White Paper on the privatization and deregulation of state-owned enterprises strategy of 1987. The government of the National Party (NP), of South Africa, initiated a process of restructuring and privatizing SOEs in South Africa. Most stakeholders were excluded from participating in the process, rather, the apartheid government made decisions on the issue, and implemented them (Financial Mail, 22/ 12/95:11). This decision was preceded by the President's Conference of the seventh of December 1986, where the policy framework on the privatization process was adopted by government and selected stakeholders (The South African Treasurer, 1987: 14-15). COSATU organized and participated, with its alliance partners, in an anti-privatization campaign because it believed that such a neo-liberal trajectory would lead to employee downsizing through massive retrenchments in SOEs. COSATU, rejected the privatization initiative because it believed that SOEs were key to the goals of a developmental state. COSATU and its alliance partners resisted the restructuring and privatization initiative because they believed that it sought to entrench apartheid business advantages while threatening employee security (Mahadea, 1988: 151).

The resistance projected by COSATU, and its alliance partners forced the apartheid government to change from a full-privatization approach to a semi-privatization

strategy. The apartheid government pursed a commercialization strategy which culminated in calamitous employee downsizing between 1989 – 1993 (Nkosi, 1991). The commercialization initiative sparked an economic recession in South Africa and 350 000 employees lost their jobs during the above period. (The Star, 2/1/96). TELCOM, POST OFFICE, TRANSNET and ESKOM accounted for 20% of the employee downsizing i.e., 70 000 employees lost their jobs in those SOEs. The privatization and restructuring of ISCOR during 1989 led to more strikes by union COSATU (Indicator South Africa, 1990: 83-85). COSATU opposed the 1987 White paper on privatization and Deregulation in the Republic of South Africa because it saw this as a catalyst for employee downsizing or job losses in SOEs. COSATU, UDF, ANC and SACP had resisted all the apartheid government initiatives to privatize or restructure SOEs and when the ANC won the 1994 elections, COSATU saw it as an opportunity to extend full-blown socialism in South Africa but the former Deputy President to the ANC surprised COSATU, by recommending that the ANC-led government implement privatization and restructuring of SOEs and use the proceeds of the state asset privatization and restructuring to fund the RDP programme and to propel empowerment of historically disadvantaged sectors of the population(The African Communist , 1995:1).

The government of National Unity (GNU) in which COSATU participated, urged SOEs to conform to the SOE restructuring and privatization reform (GNU, 1994). COSATU disagreed with the restructuring and privatization initiative in South Africa. The GNU made clear its intention to pursue the restructuring and privatization reform in the White Paper on Transformation of the Public Service (GNU,1995). The GNU justified

its adoption of the restructuring initiative on the grounds of the need to secure capital from the proceeds of the process to finance RDP projects. While COSATU supported the RDP programme initiative of the GNU, it was opposed to the restructuring of SOEs because of the job losses that customarily followed the process.

The GNU in South Africa made clear its intention to restructure SOEs despite the opposition from COSATU and its affiliates. COSATU, the biggest trade union federation in South Africa objected to the initiatives of the GNU, as far as restructuring of SOEs was concerned. COSATU was convinced that the implementation of such policies would lead to the downsizing of SOEs and consequently employees losing their jobs.

The government of national unity (GNU) embraced restructuring initiatives through the so called, National Framework Agreement (NFA) of 1996. The government of national unity (GNU) promoted the following objectives of restructuring:

- Facilitate economic growth through, e.g., greater efficiency and increased competition.
- Fund the RDP through, e.g., privatization and the mobilization of private sector capital.
- Reduce state debt with restructuring and privatization proceeds.
- Enhance competitiveness of SOE's to access global resources and markets, particularly in Southern Africa; and
- More internal and less loan or subsidy funding of SOE’s (GNU), 1996a: 4-6)

The GNU, aimed to raise capital to reduce state debt by restructuring and privatizing SOEs after 1994, hence the conviction by the GNU leadership that “For every one rand spent on funding the RDP, four rand be spent on reducing public debt. Restructuring and privatization proceeds may be used to reduce state debt”, according to the discussion document by the Government of National Unity on the Consultative and Implementation Framework for the Restructuring of State Assets (GNU,1995). COSATU apposed this document because they believed that implementation of the SOEs restructuring reform would lead to the cutting down of employee numbers in the SOEs sector and the rest of the economy**.** COSATU considered the restructuring of SOEs as a detrimental process that naturally culminated in employee downsizing and resulting in greater unemployment in the country contrary to the main goals of the GNU of creating employment in the country. COSATU propelled the idea that restructuring of SOEs caused job losses, thus accelerating poverty, inequality, and unemployment in South Africa.

It is important to mention that the apartheid government owned public enterprises in many sectors including, electricity, railways, telecommunication, road transport, ports, and hospital sectors and most of these SOEs were incurring astronomical losses and suffered acute poor performance problems. The apartheid government in 1988, announced restructuring and privatization plans for these SOEs because international sanctions against the colonial and apartheid regime were in operation, with the result that SOEs incurred huge losses instead of profits. The other motivating factor for the apartheid government to introduce the privatization and restructuring plans for the SOEs was the impact the global economic depression had on countries and their

economies, including South Africa. The apartheid government believed, since these SOEs were debt-ridden, privatization and restructuring would facilitate the attraction of new revenue to deal with issues of SOEs debt (Jerome & Rangata, 2005). In 1989 the apartheid government operationalized its privatization and restructuring plans, but it met monumental and strong opposing from COSATU. COSATU opposed this move by the apartheid government because COSATU believed that the process would result in employee downsizing through retrenchments, layoffs, and job losses, which to COSATU, was against their vision in the RDP, which they conceptualized and gave the GNU, to implement. From an ideological perspective, COSATU, at that time was a fully-fledged socialist-inclined trade union and opposed to any neo-liberal policies from the apartheid government. COSATU opposed the apartheid plans of privatization and restructuring of SOEs at that time because it was in alliance with the ANC, which believed that privatization and restructuring were mechanisms to forestall in future, the democratic government form having control of the SOEs and economic resources (Jerome & Rangata, 2003). The opposition by COSATU and the ANC was derived from the Freedom Charter which they subscribed to as their guiding document.

Restructuring and privatization had been a heated debate in the GNU since 1994 (ILRIG, 1999). COSATU drafted the RDP document which was adopted by the ANC as a public policy blueprint that South Africa received at independence. It was ambivalent on the matters of restructuring and privatization. The RDP stipulated that there be a significant role for public sector investment to complement private sector and community participation in stimulating reconstruction and development. Labor, government, and business agreed that the state had to be restructured but they

disagreed on the nature of restructuring; especially COSATU which had different views on the manner of restructuring the state because of the anti-liberalism ideological stance. COSATU preferred a developmental state while the private sector chose a leaner and more efficient state (Jerome & Rangata,2003). COSATU held demonstrations across the country in resistance to the restructuring and privatization proposals (Jerome & Rangata, 2003). Enormous conflict developed, between COSATU and government, although COSATU members were part of government and were officials and ministers in the GNU (Government of National Unity). The GNU, in a bid to eschew perpetuity of crippling demonstration and strikes by unions, initiated the NFA (National Framework Agreement) in 1995, in which COSATU, FEDUSA (Federation of trade unions of South Africa), the National Council of Trade Unions (NACTU) and the GNU signed. The NFA successfully discussed restructuring in South Africa by the GNU and Unions (Jerome & Rangata, 2003). By signing the NFA, COSATU, agreed to the government's policy of restructuring through privatization of SOEs, unlike in the past, when it rejected and staged demonstrations against the neo-liberal trajectory of the government of South Africa. COSATU agreed that restructuring could take place in some instances (Jerome & Rangata, 2003).

The NFA made provisions to address the needs and demands of workers as espoused by the trade union representative federation COSATU. On NFA and workers, the Framework Agreement stated that "The aim of restructuring is to improve the quality of life for all South Africans. Therefore, the underlying approach is that restructuring should not occur at the expense of workers in state enterprises. Every effort must be made to retain employment. Where restructuring potentially has negative effects on

workers, a social plan must be negotiated with the relevant unions at the enterprise level which takes account of the workers 'interest." (NPA,1995).

Labor apposed the restructuring initiatives of the government of national unity (GNU). Unions had a deep concern about the socio-economic effects of the restructuring and privatization of SOEs since it would result in enormous retrenchments and job losses (The Star, 23/5/96). The leadership of NACTU opposed the restructuring of SOE because it would produce high levels of unemployment and crime in the country (City Press, 10/12/95). Trade unions feared that their members would lose, social security benefits, including medical aid, provident and pension funds, and many other employees' benefits, because of the implementation of the restructuring of SOEs in South Africa (Madlala, 1995). Trade unions like NEHAWU (National Education, Health, and Allied Workers Union, opposed the restructuring of SOEs because they were convinced that it would lead to the creation of a powerful black economic class or oligarchy that would disagree with them ideologically as far as communism and socialism were concerned (The Star, 2/1/96). COSATU opposed restructuring which would create mythical black economic empowerment (BEE), culminating in systematic and systemic corruption, nepotism, embezzlement, and fraud) in SOEs (Financial mail, 22/12/95;11). COSATU felt that restructuring would defeat the vision and goals of the RDP and create black oligarchical elite that would benefit from proceeds of the restructuring of SOEs. COSATU, argued that the Black elite would benefit at the expense of the COSATU-conceptualized RDP goals (City Press, 10/12/95).

Trade Unions viewed the restructuring through privatization as an attempt by the government of national unity, to quit its social responsibility function and divert costs of service delivery to the consumer (citizens) with a profit motive, and with the result that poor communities would suffer and would not access subsidized public services (The Star, 2/1/96). COSATU remarked, “we think privatization will not assist significantly in achieving a better life for all. If the state’s welfare and service function are privatized, the government’s programme for water, electricity and health delivery will inevitably fail. Only the wealthy will be able to afford basic services, and this will undoubtedly spell disaster for our future”, (The Star Business Report, 24/5/96**).** Trade unions viewed the restructuring policy as a western capitalist policy that would impoverish most citizens in South Africa. COSATU was concerned about the vitiation of its collective bargaining power after and during the restructuring of SOEs. Restructuring and privatization debilitate the collective bargaining power of trade unions and reduce the union power base. COSATU feared that if the SOEs were bought by union-unfriendly countries or entities, then, it would lose its power and influence on workers and in national debates (Madlala, 1995).

COSATU also argued that big multinational corporations (MNCs) would dominate the public sector at the expense of small local companies. An ex-COSATU leader argued that “big business” support for restructuring is based on buying into the global community, where a group of MNCs had set themselves up as providing the guidelines on how economies should be run”, (Business Day, 5/3/96). COSATU argued that the presence of MNCs, would be detrimental to small business and that such small and medium business linked to privatization would collapse and be bought out by big

companies (Business Day, 5/3/96). COSATU insisted that the restructuring and privatization initiatives by the government of South Africa were doomed because; they lacked citizen support and did not attract citizen participation. COSATU cursed the initiatives of SOE restructuring as non-responsive to the needs of the people as espoused by the Freedom Charter but based on the need to fulfil some technical criteria with the advice of the World Bank /IMF. COSATU castigated the involvement of the IMF/WB in technically influencing the government into the neo-liberal restructuring trajectory which precipitated employees downsizing through massive job losses, retrenchments, and unpredictable employee lay-offs in the SOEs- sector of South Africa. COSATU argued that downsizing and restructuring are about change which people must be prepared for but in this case the people were not prepared (Business Day, 5/1/96). COSATU loathed the role the IMF/WB played in advising the South African government on the restructuring and privatization initiatives and labelled them enemies of the people which have previously support the colonial and apartheid regimes in South Africa (City Press, 20/10/96).

COSATU suggested that government had been directed by the technical teams of the WB/IMF to promote neo-liberalism and capitalism in South Africa. COSATU called the WB/IMF role interference, which it viewed as pernicious to the employees of SOEs (New Nation, 19-25/6/92; The Star, 2/1/96)**.** COSATU remarked, “Unfortunately up to now, it has been the same old elites who have been driving the agenda, largely for reasons of self-interest who, have been the change- drivers in the restructuring debates. Firstly, the old managements of the parastatals continue to restructure these

companies at will, resulting in destruction of services and job loss, particularly in the poorest areas," (Business Day, 5//96).

The former Deputy General Secretary of the SACP supported COSATU and claimed that restructuring would destroy government's ability to manage the economy strategically. The views of the SACP and COSATU were similar even though COSATU was more critical and vocal about their resistance and disagreement on the restructuring of SOEs (Business Day, 30/5/96). During all the resistance by COSATU and other unions and political formations, the Afrikaanse Handelsinsti tuut (AHI) supported the restructuring and privatization initiatives of the GNU. These are the advantages cited by the AHI:

Advantages of SOEs Restructuring

- Decision-making is independent of political approval, which would encourage better performance of privatized SOE's.
- There is improvement in the efficiency and profitability of the enterprises concerned, stimulating economic growth, increasing state revenue directly through their sale, and indirectly through tax revenue.
- Broader ownership in the South Africa economy is a result.
- There is more productive use of state funding through privatization, and it would no longer be necessary to subsidies unprofitable SOE's.
- Income generated from privatization can be used to repay state debt or for infrastructure (The Star- Business Report, 26/3/96).

The National Economic Development and Labor Council (NEDLAC) was established as a platform for the expression of views by labor, business, and government on economic policy. NEDLAC was created as a statutory body (on 18/2/95) with the main objective of creating dialogue between labor, business, and government, on labor, economic, growth issues, equity, and participation (Webster, 1995:25). In late 1995, trade unions softened their position on restructuring and privatization of SOEs in South Africa. In late 1995, trade unions moderated their position of outright rejection to a more moderate stance at a meeting facilitated by NEDLAC: Unions assumed the position below which is considered moderate.

- A ‘social plan solution’ in the event where restructuring is likely to entail retrenchment, downsizing, or transfers of workers.
- Representation of labor on the Enterprise Transformation Committee – a task group set up at each public sector corporation to examine privatization.
- Full disclosure of information pertaining to all operations aspects of SOE’s.
- The appointment of professional advisors by the trade unions to be paid for partially by government.
- Regular reports to NEDLAC on the restructuring process (Sunday Times, 7/1/96).

COSATU and other unions agreed that underperforming SOEs and those that could not contribute to RDP reforms should be restructured and transformed through processes which allowed the broader participation of all stakeholders, (Sunday Time, 7/1/96). At NEDLAC, COSATU, changed its position by agreeing with notions of enterprise efficiency in service delivery to all the citizens (Business Day, 5/1/96). Most unions were convinced that much of the discussion at NEDLAC was geared towards

a neo-liberal trajectory which would see insurmountable job losses and downsizing of employee numbers (The Citizens, 12/1/96).

In 1995, the former Deputy President of Republic of South Africa, Mr Mbeki announced the government's intention to engage in complete and full privatization of some SOEs. It had solicited global participants to procure share ownership stakes in some SOEs, without the involvement of labor in the negotiations (The Star-Business Report,8/2/96). The trade unions responded with great shock and disappointment because the former Deputy President did not consult with them or their leadership therefore, they embarked on national strikes and threatened mass trade union action and workplace stoppages. The result of this was that in 1995, 71%-man days were lost to industrial action and strikes in the government sector (Business Day, 15/1/96). Trade union COSATU demanded an agreement between government and the trade union, which guaranteed the trade union's official participation in policy or decision making in the matter of restructuring and privatization reform in SOEs in South Africa and as discussed earlier, the NFA (national framework agreement) sealed this agreement and ensured that labour, participated in all the initiatives (The Star-Business Report, 8/2/96).

COSATU, NACTU and FEDUSA wrote a proposed economic plan termed Social Equity and Job Creation: The key to a stable Future that was discussed at NEDLAC, in 1996(COSATU, 1996). Government initiated and tabled in Parliament a new macro-economic strategy called Growth Empowerment and Redistribution: A macro-Economic Strategy (GNU, 1996). The South African Foundation also produced a plan

in 1996, titled Growth for all (SA Foundation, 1996). The economic transformation policy debates became crucial to both labour and government, particularly the role of the state in the economy, with specific reference to the restructuring and privatization of SOEs.

The documents or economic plans from labour and governments marked a dramatic shift from the moderate attitude of the union as expressed by the signing of the NFA, to strong opposition to full-scale restructuring and privatization by government. COSATU released COSATU's economic plan (COSATU, 1996). In this document, T The trade Union, expressed its rejection of government plans expressed in the Growth Employment and Redistribution (GEAR) document. The union accepted restructuring but not privatization of public enterprises. It also wanted more government involvement in the economy to protect the rights of workers and furtherance of the attainment of the developmental objectives of the state. The unions argued that the goals of the RDP could be undermined by the creation of a black oligarchy or black elite prospering from the proceeds of privatization in the country (COSATU, 1996).

COSATU argued that social equity in South Africa could be dealt with by the following measures:

- Redistribution of wealth through the implementation of the social and equity principles contained in the RDP.
- The eradication of poverty.
- The promotion of workers' rights.

- Increased employment.
- The development of the full human potential of the people.
- Securing the provision of basic infrastructure and services to all citizens (COSATU,1996).

Business and labour had differing views on the post-apartheid economy. COSATU produced economic plans which guided discussions at NEDLAC. Labor and business were up in a war of words regarding the preferred economic trajectory of South Africa after the collapse of settler apartheid. In this environment of tense contestation on the issue of the restructuring and privatization of SOEs, two documents produced by business and unions, contested with each other. While trade unions rejected restructuring through outright privatization, business supported, the government on SOEs restructuring and privatization. Obviously, business, represented commercial interests of business acquisitions or share purchases in SOEs of South Africa, while trade unions believed in the Freedom Charter and its socialist- inclined mode of economic trajectory.

Business, propelled by commercial interests in South Africa, supported the government position on privatization through private ownership and management of state assets, the selling of major assets namely, ISCOR, SASOL and ALUSAF, TRANSNET and TELKOM (SA Foundation, 1996). This view of business was completely different from the perspectives of trade unions which shared their similar views with left-wing movements since 1982 and the UDF during the colonial and apartheid era. The economic plan produced by business was viewed by unions as an attempt to enrich a few and under-develop the black majorities who lived in deep poverty (Mail & Guardian,4/4/96). COSATU threatened mass strikes on a nation-wide

basis to show their resistance to business' plans (Mail&Guardian,4/4/96). The reactions of labor and business to the proposed restructuring and privatization of SOEs produced debates at NEDLAC which were very heated and caused the former minister of labor to warn that he would exclude both sides from discussions at NEDLAC (Business Day,11/4/96). Furthermore, the former President also warned the unions that despite having worked together in the liberation struggle, it is likely that they would not agree on economic policy in their discussions at NEDLAC (Sunday Times,26/5/96).

The former President, in 1996, warned COSATU and its affiliates that the government was going ahead with its plans to restructure and to privatize the SOEs with or without their participation (Sunday Times, 26/5/96) This thinking from the former President resulted in further tensions between government and the alliance partners (Sunday Times, 21/7/96)**.** NEDLAC came under serious criticism from both business and labor. Both groups viewed NEDLAC as weak and unable to pursue the task of negotiations and the facilitation of dialogue among government, labor, and business (Business Day, 29/1/9). In sum, COSATU and other unions did not fully support government policy on restructuring and privatization of SOEs and this resulted in endless clashes between COSATU, government and business. These economic policy rifts made the work of NEDLAC very difficult. The government of South Africa, as mentioned earlier, produced the successor to COSATU- influenced RDP, called GEAR which stressed restructuring and privatization, much to the distress of COSATU and its affiliates as well as left-wing movements such as SACP and SANCO, AZAPO and PAC. The main aims of GEAR were:

- To set up a competitive fast-growing economy which creates sufficient jobs for all work seekers (GNU, 1996).
- To redistribute income and opportunities in favour of the poor.
- To create a society in which sound health, education and other services are available to all; and
- To establish an environment in which homes are secure and places of work productive (GNU, 1996).

The core fiscal policy elements of the GEAR package were:

- Budgetary reform initiatives which are aimed at sharpening the distributive thrust of government expenditure and containing costs (GNU, 1996).
- Tax reform measures leading to increased revenue on the current income base, and hence a strong increase in tax revenue relative to GDP (GNU, 1996).
- A tighter monetary policy which is consistent with continued inflation reduction and exchange rate management, to stabilize the real effective exchange rate at a competitive level (GNU, 1996).
- Trade and industry reforms to attract foreign investment and boost production.
- Social and sectoral policies (GNU, 1996).
- A public investment and asset restructuring programme involving privatization.
- A labor market reform programme which outlines several steps designed to improve productivity and bring about flexible industrial relations (GNU, 1996).
- A national social agreement which intends to facilitate wage and price moderation, to underpin accelerated investment, employment and enhance effective public service delivery (GNU, 1996).

- Policy co-ordination to ensure a credible and coherent policy approach (GNU, 1996).

To this end, economic policy co-ordination has been placed at cabinet level with supporting administrative arrangements between government and the Reserve Bank, business, and labour (GNU, 1996c, 7-20). GEAR was very clear in chapter seven of the document about its position on Asset Restructuring and Public Investment (GNU, 1996). Non-strategic SOEs were to be sold to the private sector (GNU, 1996:14). GEAR added that restructuring involved, partial sale to strategic equity partners, total sale of SOE, sale of state assets with government keeping a strategic interest (Chikulo & Meyer, 1996:6).

In the light of the above, twenty-seven SOEs were selected for restructuring and privatization by 1996(Chikulo&Meyer,1996:11). GEAR permitted restructuring and privatization of SOEs in South Africa, but trade unions were very dissatisfied with this policy trajectory which the GNU decided to follow. Cosatu and most labour unions were unhappy with the macro-economic policy of GEAR, which the government had just pronounced because it influenced the implementation of the restructuring of SOEs in South Africa. (The Star-Business Report,20/7/96).

Trade Unions opposed the view of the 1996 government that GEAR was not subject to discussion and most trade union were convinced that GEAR was not good for South Africa because it facilitated and embraced restructuring and privatisation of SOEs

which trade unions felt would result in massive employee downsizing (Business Day, 14/18/96).

COSATU's more specific objections to government's proposals related primarily to, inter alia, the following elements and implications. contained in the macro-economic strategy. Social services, which cannot be provided to all or could be undertaken more effectively by the private sector, are to be eliminated or scaled down. the need to cut government's budget deficit to 3% of GDP by 2000 implies that the scope for increased public spending on social services is likely to be severely limited, despite the government's rhetoric on the centrality of social and sectoral policies Envisaged government spending cuts on social and community services are quite severe and entail a real aggregate increase of only 3% per annum which cannot even cover 15% of current medium-term department expansion plans. The central government would unilaterally set policy priorities and sectorial policies and funds to be committed to them. Finally, that the strategy hinges on restrained wage increases in the public and private sector (Chikulo and Meyer, 1996: 11-12).

The key controversial part of GEAR is the National Social Agreement clause (GNU,1996). The rationale for COSATU and its affiliates rejection of the call for wage moderation by the GEAR strategy is contained in the National Social Agreement clause (GNU, 1996). Wage moderation is contained in chapter seven of the GEAR macro-economic strategy. GEAR proposed wage moderation because; the architects of GEAR believed that such a move would stimulate labour demand and maintenance of industrial competitiveness on a long term basic (GNU, 1996:19).

COSATU opposed the strategy by the GNU because it had a policy on reduction of the wage gap amongst employees in South Africa (Chikulo and Meyer, 1996; 13). By 1997, there was a principled agreement between COSATU and the government of South Africa on the process which was considered non-negotiable in the view of government. COSATU never supported GEAR ideologically, but COSATU was pushed into a corner by the GNU and had one choice to push for a better deal for workers (Carson, 1997). Even if COSATU was cornered by government through the GEAR strategy, some of the affiliates rejected the restructuring and privatization as a COSATU federation policy because of the negative impact, emanating from this policy, such as employee downsizing, job insecurity, job losses, retrenchments, employee layoffs, forced retirements, severance packages and destruction of collective bargaining power. Affiliates of COSATU rejected GEAR because of its emphasis on restructuring and privatization. They opposed privatization as a COSATU federation policy, (The Star- Business Report, 11/4/97).

In sum, given the above discussion, it can be noted that COSATU, opposed the restructuring and privatization of SOEs in South Africa which it felt precipitated detrimental workforce downsizing although, through the NFA, NEDLAC and GEAR**,** government influenced COSATU against its original, Freedom Charter –influenced position and RDP- propelled socialist views on post-independence macro-economic policies in South Africa. Government influence and power allowed for the domination of neo-liberalism in South African public policy and economics after 1994. COSATU, a major trade union federation opposed the policy of restructuring and privatisation of

state companies because it led to profound employee downsizing in SOEs at all levels of employment. COSATU did not support the implementation of restructuring and privatisation because they resulted in retrenchments, severance packages and employee reductions in SOEs. COSATU affiliates also took the same position as COSATU. Thus, the role of COSATU in the resistance to restructuring and privatisation which resulted in employee downsizing can be said to be significant.

5.4 South African Allied Transport Workers Union (SATAWU) trade union's resistance to restructuring and privatisation of state-owned enterprises (soes)

The 1994 general election saw the demise of the colonial and apartheid regime and the ascendance of the African National Congress (ANC) led government to power. At independence the Government of National Unity (GNU), was influenced by a COSATU-conceptualized RDP (Redistribution Development Programme), which was pro-labour, but in 1996, the ANC –led government jettisoned the pro-labour RDP and adopted the Growth Employment and Redistribution (GEAR), macro-economic framework which had a purely-neoliberal trajectory and emphasized the restructuring of SOEs. It advocated for less-government involvement in the economy. GEAR was and is neo-liberal in nature and in content with a clear focus on enhancing efficiency, effectiveness, productivity, profitability, and greater competitiveness of the SOE-sector. GEAR emphasized the improvement of financial, operational performance and a clean balance sheet for SOEs, hence the need to restructure public enterprises in South Africa.

State- Owned enterprises in South Africa normally operate under the shareholder ministry, which is the department of Public Enterprises (DPE), a policy ministry and a board of directors on the ground. The department of Public Enterprise led the restructuring and privatization of SOEs in South Africa. The DPE's policy framework esteemed the restructuring of SOEs. In 1999, Transnet employed the services of a consultant to formulate a restructuring plan which proposed the closure of unprofitable units and the downsizing of the workforce by 17,000 employees (ICFTU, 2006).

The former Vice – President in 1995 announced that parts of Transnet were to be sold off'. In response, SATAWU embarked on a nation-wide strike (Naledi, 1999). COSATU, stepped in to negotiate with the GNU about the restructuring of SOEs in South Africa (COSATU, 1999). The National Framework Agreement (NFA) which committed government to participating and engaging labour in a process of consultation on the initiative to restructure SOEs on a case- by-case basis, was signed (COSATU, 2000). It is within the NFA that SATAWU secured a very critical opportunity to protect Spoornet as a public enterprise (ICFTU, 2006). This is the political background to the trade union response to the restructuring of SOEs. The Spoornet restructuring reform had an economic background which is critical in the analysis of trade union response. It examines the rationale for restructuring, the negative implications, and the developed Social Plan for most employees who became victims of employee downsizing at Spoornet.

Spoornet occupies space in the freight industry and is the long-distance division of Transnet. It carries 59% of freight, including bulk cargo movements, internally on

20,000 kilometres of railway lines, with a staff compliment of 34,344 employees most of whom are in non-managerial positions (ICFTU, 2006). Most of these employees belong to SATAWU, which is affiliated to COSATU, locally and ITF (International Transport Workers Federations), internationally. SATAWU represents 70% of the employees, while UTATU and SALSTAFF represent the more skilled, supervisory, and administrative levels of workers who are mostly white (ICFTU, 2006).

The employees who are mostly white have white-collar jobs such as train drivers. The three-union divided according to racial classification of apartheid buried their differences and were able to put forward their working interests as a whole workforce, and to further their enterprise interests (Barret, 2006). In the ministerial restructuring plan for Spoornet aimed to separate the business units and privatize 4 units via concessioning. The Ministerial Plan stipulated that:

- The bulk cargo line, the highly profitable coal link and Orex lines that carried coal and iron ore from mines in the interior to coastal ports would be concessionaired out to private operators on a medium to long-term basis.
- The potentially profitable blue line, a luxury passenger line would be concessionaired immediately.
- The unprofitable general freight business which was being cross-subsidized by the high-profit bulk lines, would be left in Spoornet's hands, and its network cut to 10,500 kilometres and its employees slashed by 15,000 (Barret, 2006).

The ministerial agenda was very clear from the onset, as internal cross-subsidization of unprofitable by profitable operations needed to stop (ICFTU, 2006). The DPE also

agreed that after a 3-year turnaround period, a strategic equity partner could be sought instead of concessioning (Barret, 2006). These baffling policy inconsistences and contradictions on the part of government, in terms of its position on the restructuring reform, were met with resistance from labour. The government made its intentions public and SATAWU responded immediately by convening an urgent workshop on the plight of Spoornet and produced the controversial document called “Reconstructing Spoornet”. Based on this, SATAWU, engaged with SALSTAFF, UTATU, TSOE management and government on the restructuring of TSOE. SATAWU, UTATU and SALSTAFF adopted the document as their official position and worked together as a united front, during engagements, negotiations, and participation with Spoornet management and government ministry of public enterprise (Barret, 2006).

The Government of National Unity got into power and found a very large public enterprise sector with an approximate total employee complement of 300 00. With the adoption of RDP, as mentioned earlier, a more socialist-inclined economic trajectory was adopted which was supported by most liberation and civil organizations and Cosatu and its affiliates, but when the neo-liberal macro-economic policy called GEAR (growth employment and redistribution) was ushered in, in 1996, a neoliberal economic system was launched. GEAR revealed the need for urgency in adopting a neoliberal trajectory, thus the restructuring of SOEs was the order of the day in SOEs in South Africa. In 1999, the State decided to pursue the SOE restructuring and privatization project which the unions opposed, as mentioned earlier.

The engagement, opposition, and refusal by SATAWU, to allow wholesale restructuring at Spoornet, was successful and benefited its members and the federation, COSATU and other affiliates (von Holdt, 2005). SATAWU, could resist neoliberal restructuring of Spoornet, through engagement with the ruling ANC party and government officials, protest action, negotiating with Spoornet's leadership, using COSATU's power and influence as an alliance partner of the ruling ANC/SACP/COSATU in government and production of an alternative reform strategy called Reconstructing Spoornet (von Holdt, 2005).

The document from the union called Reconstructing Spoornet was a masterstroke in the history of trade union responses to the government's neoliberal restructuring and privatization efforts. SATAWU's ability to resist, oppose and denounce the government programme was hailed by COSATU, the federation and labour in general, as a victory and good story to tell in South Africa and the world, because SATAWU managed to eschew massive employee downsizing and job losses, retrenchment, and layoffs. The alternative reform strategy produced by SATAWU was not without criticism. While it successfully forestalled massive employee downsizing, it was alleged that the document was established and implemented by a few in the leadership of SATAWU and influenced by the leadership of COSATU (Naledi, 2005). After, the production of the document very little engagement with workers took place and limited strikes occurred, thus, a few leadership representatives were at the forefront of ensuring engagement with the alliance partners and the leadership of Spoornet (Naledi, 2005).

The trade union response or labour' s response to the neoliberal SOE reform strategy by government was comprehensive, detailed, and very organized, hence the acceptance by the management of Spoornet, to engage and negotiate the process of reform implementation within SOEs. SATAWU's action protected employees from the wrath of neoliberalism and its consonant neoliberal restructuring of SOEs strategy. Workers were protected from retrenchments, job losses, layoffs and general employee downsizing which normally accompany this process, as was happening at the time at other SOEs in South Africa and the world.

Trade Unions resisted the restructuring and privatization of SOEs because of the negative consequences the process inflicted on employees or workers. Restructuring of SOEs is closely associated with, lower wages, lack of job security, reduced benefits, longer working hours, increased joblessness, increased difficulty in organizing workers, loss of the union power base, the demise and decline of trade union membership (Indicator SA. Vol. 17 no 3). Restructuring and privatization have a sizeable negative impact on workers (Arnold, 2019). Restructuring through privatization of SOEs remains the most popular method for most debt-ridden governments with the main objective of urgently raising revenue (Arnold, 2019). However, this intention of raising revenue, results in the selling of these SOEs to the private sector. Restructuring of SOEs culminate in massive employee downsizing and trade union resistance and opposition. Most governments, normally, corner, these unions into accepting, wholly or partially, their restructuring initiatives, through signing agreements or influencing their federations policies or joining government as ministers or senior bureaucrats, like what the ANC government did with COSATU, by forging an

alliance to rule the country, therefore making it difficult for COSATU to resist the restructuring initiatives of the ANC government of national unity (GNU). COSATU is the federation to which SATAWU is affiliated and the views of SATAWU as far as opposition and resistance to SOEs restructuring are mostly similar. Thus, the opposition and resistance of COSATU discussed above typically encompassed the views of its affiliates in the SOEs sector. SATAWU represents workers in the transport sector It, has been selected for purposes of this study because, it is a major union and makes representations at NEDLAC, NALEDI and Parliament select committee on Public Enterprises (Public Enterprises Portfolio Committee). The government of South Africa, through the NFA (National Framework Agreement), sealed the agreement with labour on the restructuring initiative. By adopting GEAR and involving COSATU leaders in government The GNU persuaded the union to accept the restructuring initiative because most SOEs were draining the GNU, financially in the form of bailouts. Spoornet, was widely perceived to be troubled as shown in the following section:

- In 2005, Spoornet's customer BHP Billiton complained that it did not receive potential South African coal exports of US$250m a year because the SOE failed to meet its volume targets on the coal export line.
- In 2004, Kumba claimed that delays in upgrading the Sishen-Saldanha iron export line cost the company potential exports of R3 billion annually.
- The South African granite industry estimated that, in 2002 alone, poor services from rail cost is R500m or almost a quarter of sales (Truen, 2008).

The cases mentioned above show poor performance by TSOE/ Spoornet hence there was need for government to restructure it. The National Freight Logistics Strategy (NFLS) of September 2005 depicted the numerous problems which the freight sector of the SOEs experienced. The NFLS explained that the freight system in South Africa was fraught with inefficiencies at system and firm levels. There were infrastructure shortfalls and mismatches; the institutional structure of the freight sector was inadequate, and there was a lack of integrated planning. Information gaps and asymmetries abounded; the skills base was deficient and regulatory frameworks were incapable of resolving these issues. (NFLS, 2005:4).

The document identities the problems of poor corporate governance and poor performance experienced by SOEs and in the freight service serving them hence the need to improve performance efficiency and effectiveness in SOEs and in the freight-sector, (NFLS,2005).

Based on these problems the government adopted the restructuring project at Spoornet as well as in other SOEs. Spoornet, the SOE under research in this study, experienced poor performance problems and hence the need to restructure it. The resistance and opposition of SATAWU and engagement with Spoornet management was robust and well documented. The engagement of SATAWU can be seen in the following concerns:

- Preventing mass job losses

- Halting privatization and keeping Spoornet and Transnet under state ownership
- Implementing a management structure that includes worker participation and thus a demonstration of the workplace environment.
- Maintaining a regional or branch line and expanding under state-centred development for broader socio-economic development (Von Holdt, 2003).

The above points were the goals of SATAWU, the union that represents most employees as well as Spoornet. According to the trade union, workers feared that the restructuring plans of government would break up and concession both the urban commuter rail system and the freight and long-distance passenger operations of TSOE, thus bearing a strong resemblance to the British model (Von Holdt, 2003). For, Spoornet, the South African government planned separation and concession of Coallink and Orex, to turn around and privatize the General Freight Business (GFB) and to concession the mainline passenger service. The government planned to create separate entities of competing engineering companies, during that time. Government argued that this was in line with its Growth Employment and redistribution (GEAR), macro-economic strategy. The NFA and COSATU signed it, for labour unions in general.

On the 28th of February 2001, SATAWU had a meeting with the Parliamentary Transport Portfolio Committee to discuss the restructuring issues and the future of TSOE. SATAWU was represented by six of its leaders including its Policy and Research Officer. The purpose of the meeting was:

- For SATAWU to brief the Transport Portfolio Committee on its views on the future structure, ownership, and operations of TSOE.
- For SATAWU and the Portfolio Committee to discuss concrete steps to further develop a national consensus on the future of rail in South Africa
- For SATAWU and the Portfolio Committee to identity additional priority issues (including non-rail issues) for joint discussion in the future (PMG, 2001).

SATAWU outlined the following ten key questions on the restructuring of Spoornet and its future:

Question at the heart of SATAWU' s views

1. How do we position the railway system for future growth?
2. How do we ensure long term sound investment in new technology and in maintenance? (PMG,2001).
3. How do we ensure that the stated government policy of promoting "integrated multimodal transport" is practiced at all levels? (PMG,2001).
4. What are the options for making the system more efficient and effective?
5. Are any changes in the structure or ownership of our national railways necessary to meet the transport objectives of a system that promotes economic growth, that is safe, affordable, and environmentally friendly?
6. What are the options for raising public and /or private capital for investment?
7. How do we ensure that any internal or structural changes to our national railways do not result in adding to our already high unemployment figures? And how do we ensure that those employed at all levels on our railways are properly trained and are placed in quality jobs? (PMG,2001).

8. How do we ensure that internal and /or structural changes to our railways do not result in some communities being left stranded or devastated as a result?
9. How do we develop a national pride in our railways where stakeholders feel responsible for growing the use of the networks? How do we mutually tackle the massive problems of vandalism, fraud, and theft? (PMG,2001).
10. How do we ensure political accountability as well as the participation of stakeholders in the process of bringing about changes to the system (including ownership and service delivery? (PMG,2001).

A glance at the above questions clearly indicates that SATAWU was equally concerned with efficiency and effectiveness, yet it opposed any measures to restructure Spoornet because of the impact it would have on the employees. SATAWU had a very firm policy which resisted the restructuring through privatization of Spoornet (PMG, 2001). The SATAWU policy against the restructuring through privatization of Spoornet is contained in the founding resolutions passed at the congress in May of 2000. The policy is like the Cosatu anti-privatization policy, (SATAWU, 2001). SATAWU conceded that restructuring of Spoornet, inter alia,

- Puts the profit motive at the top of the agenda and leads to,
- A reduction in service (closure of lines and stations)
- A lowering of safety standards and an increase in rail accidents
- A greater cost to the government both in subsidies and in indirect costs (e.g., the cost of repairing roads due to an increase in road traffic)
- Massive, job losses (SATAWU, 2001)

SATAWU, though it posed these questions supported the view that the survival of Spoornet was very important and critical for the employees and the clients (SATAWU, 2001). This is evidenced by the critical questions which they posed to the Transport Portfolio Committee (PMG,2001).

The trade union SATAWU, opposed the Government Restructuring Initiative (GRI) at Spoornet. SATAWU announced its intention to pursue the following anti-government activities:

- Put out numerous press statements to publicize its anti-government position (most articles in the South Africa Labour Bulletin were from SATAWU)
- Engage with railway users (SATAWU had a relationship with SA Commuters Organization)
- Embark on tough campaigns to defend railway employees in the form of (media propaganda, local protests)
- A National Day of Action on 29th of March (to coincide with the ITF's International Day of Action on Railways), (SATAWU, 2001)

SATAWU, executed and achieved all the above, in resistance and opposition to the national government's programme for the restructuring of SOEs in South Africa. In their document entitled Reconstruction Spoornet, SATAWU outlined measures which they viewed as possible avenues to improve the efficiency and performance of Spoornet. SATAWU identified the following obstacles to better performance at Spoornet:

- The poor state of human resource management in the company. This ranges from weak people management (one shop steward commented that TSOE has thousands of supervisors but no supervision). Racial discrimination, inadequate training, and authoritarian work organization. The union has proposed several joint labour-management projects to address this issue.
- The low level of investment in infrastructure and technology. Historically, this has been compounded by poor and wasteful investment decisions. The document proposes that the trade unions be consulted on all investment programmes, since it is their members who must make use of the technology.
- Weak management. Efforts to improve efficiency and quality will be fruitless unless the quality of management itself is addressed, (Indicator SA, Vol 17 no 4).

The proposition by SATAWU, was quite comprehensive but needed high investment levels. The hired consultants advised on restructuring through privatization in the form of a concession, which they also indicated was high financially committing activity like the British Rail privatization in which Britain had to commit herself to an additional fifteen billion pounds subsidy (Indicator SA, Vol 17 no 4). Most concessions are expensive to the government because the private concession owner, mostly renegotiates the terms of the contract before the completion of the work, thus incurring more expenses while neglecting the social obligation to the community Argentina has experienced this problem (Indicator SA, Vol 17 no 4). By producing “Reconstruction Spoornet”, SATAWU revealed its commitment to cooperate with management of Spoornet and government, to improve Spoornet while preventing the worker economic disenfranchisement. SATAWU was not happy that the appointment of the Halcrow

Consultants to advice on the restructuring of Spoornet went ahead without their participation (Von Holdt, 2003).

SATAWU did not support government to pursue a profit motive and regarded the privatization of this strategic SOE as completely inappropriate given, the inevitable negative impact on jobs, safety, and economic development (Naledi, 2003). The proposal given to the management and government were hailed as a success and a victory for SATAWU and COSATU's radical reform strategy, even though Spoornet 's management and the state continued to pursue neoliberal restructuring, undermining the SATAWU attempts to meet some of the stated goals of the radical reform project at Spoornet (SATAWU, 2003).

5.5 SATAWU resistance to restructuring and privatisation of Spoornet.

SATAWU supported by FEDUSA (federation of trade unions in South Africa), the United Transport and Allied Workers Union (UTATU) and the Salaries Staff Association SALSTAFF), which merged with the United Associations of South Africa (UASA,) agreed to pursue repeated union strikes against the restructuring of Spoornet (RSA, 2000). SATAWU and these small unions led continuous class actions at Spoornet against the proposed neoliberal restructuring at the state freight company. The continuous mass union action opposing the implementation of the government's plans, through official engagement with the government, Spoornet 's management and militant mass action was hailed as a success story because it stopped the original restructuring plans of splitting the SOE into fragmented, separate self-financed and

privatized individual entities (RSA, 2000), This government plan meant massive job losses. In pursuit of efficiency, effectiveness, profitability, and greater competitiveness of Spoornet, government was bent on executing this policy of SOE restructuring (Powell, 2006). SATAWU originally faced what was referred to as policy juggernaut (a grouping of personal economic and institutional interests impervious to alternative ideas to market-based solutions), (Von Holdt, 2005). SATAWU, through the instrumentality of solid well-organized mass action, managed to elicit, trade union engagement with the leadership of Spoornet and government officials. Then, it presented an alternative change strategy to Spoornet structures and convinced them adopt the alternative counterstrategy which served as an alternative reform package, (Von Holdt, 2005).

The SATAWU, alternative reform strategy document “Reconstructing Spoornet” was accepted and adopted by Spoornet. The SATAWU strategy involved:

- Developing a framework for reconstruction that addressed ownership, volumes, integrated transport solutions, development of regional transport markets, investment in infrastructure and human resources, improvement in the quality of management, job security and proper consultation with labour.
- Identifying projects that support the framework (COSATU, 2000).

SATAWU successfully, propelled mass action and engagement with key state departments such as the department of transport and public enterprises and officials and Spoornet’s executives and managed to stop the privatization spectra from being implemented. Thus, Spoornet remained in the hands of government. In other, words, Transnet remained a government asset. The bravery of SATAWU and its ultimate

victory to keep Spoornet under State-Ownership was to a certain level a global trend, for example:

- South Africa where trade unions led the opposition to the privatization of the country's largest freight rail line and negotiated with the government to keep the reorganized line in public hands (ICFTU,2006).
- Croatia, where five Labour federations set aside their differences to rally in opposition to an IMF-World Bank proposal for Labour reform designed to make it easier for employers to fire workers (ICFTU,2006).
- Argentina, where the government, backed by its labour unions, cancelled the privatization of the postal service, which had been turned over to a private company at the behest of the World Bank and the IMF (ICFTU,2006)
- Indonesia, where the nation's constitutional court ruled against the IMF-backed privatization of a major utility after labour unions and civil society groups filed a lawsuit contesting the government's right to privatize the utility (ICFTU,2006).
- Tanzania, where the government cancelled a water privatization project, also demanded by the IMF and World Bank, with the strong support of the trade union at the water utility, (ICFTU,2006)

The above indicates other global trade union resistance and success against neoliberal restructuring policy trajectories in their countries)

Trade union SATAWU convinced the ministry that if the revenue stream is removed from general freight, its service would get worse and not better (Barret, 2006). The ministry always took a long time to respond to the trade union strategic position on the restructuring of Spoornet and as a result the trade union had no option except to put political pressure on the ministry official or leadership (ICFTU, 2006). One of the

methods that the trade union SATAWU, resorted to, was to use the media to publicize their opposition to and rejection of the selling of Spoornet plan by government. They further went on to present their position to the parliament of South Africa.

The federation COSATU was instrumental in the organization of a two-day anti-privatization strike while unions in the rail sector also organized protest marches across the country, during 2000 and early 2001. The union sealed its opposition and rejection of the government privatization plan by delivering a petition to the transport minister on the International Railway Workers' Action Day in March 2000. The trade union SATAWU, took this bold step in resistance to government plans because they believed that Spoornet could still be managed and operated effectively and efficiently under public ownership rather than the private ownership proposed by both the shareholder ministry and the policy ministry in change of Spoornet.

Finally, the ministerial officials accepted engagement with the rail sector union in March 2001 with the creation of the Joint Labour Government task team to investigate the many restructuring alternatives for Spoornet (Barret, 2006). They asserted that past opposing announcements or pronouncements by the ministry of public enterprises notwithstanding, their minds were open to discussions on the most suitable approaches to the restructuring alternatives for Spoornet (ICFTU, 2006). The Union and government reached an agreement on the 3 rail lines. The unions agreed that the blue line passenger train could be concessioned, while government agreed that both the General Freight and the main line long-distance passenger service would remain

in state hands as strategic transport assets (Barret, 2006) which should be privatised through a sell-off in the stock market (ICFTU, 2006).

The other barrier was defined by von Holdt as a “policy juggernaut”.

- A dense cluster of institutional, personal, and economic interests which coalesce around a particular policy decision or set of decisions, has an overwhelming life of its own, and is relatively impervious to rational dialogue or debate over alterative policy options (von Holdt, 2006). In this case, the people who oversaw the consultants and formulated DPE’s position, and made recommendations to the minister, had a personal stake (von Holdt, 2006). The Department and the minister had an institutional stake in successful privatization, while the consultants and potential private sector operations had financial interests in the outcome (von Holdt, 2006). These specific personal and institutional interests were supported by more general institutional and economic interests in favour of privatization.

In the deliberations the unions argued that the economic facts on the ground must not be ignored. The information exchange between labour and TSOE management created mutual respect for both parties in the engagements (von Holdt, 2006). On the issue of Coaling and Orex, labour also argued that Spoornet managers suggested that Spoornet which is integrated could generate enough capital to meet investment requirements (von Holdt, 2006). Labour argued that the ministerial plan amounted to handing over world class assets to foreign companies, leaving South Africa management with the unsustainable ramp of the general freight business (von Holdt, 2006). The issue of Coal link and Orex were difficult for labour, Spoornet management and ministerial management (von Holdt, 2006). The argument of government was that

an integrated rail SOE which included the general freight line, and the two bulk freight lines would not produce sufficient capital to fund the turnaround of general freight therefore they suggested that coal link and Ore be restructured through a concession as a form of privatization modality (von Holdt, 2006). This was a bitter pill for the trade unions in the rail sector to swallow. Of course, COSATU as their federation supported them.

At this stage, two issues emerged:

- The influence on the negotiations of Spoornet's managers who had been excluded from the negotiations but were virulently opposed to the government restructuring model" although their views were not trade union views (von Holdt, 2006). They suggested that a stand-alone (general freight business) was inherently unsustainable and that Orex and Coal link be retained together with (general freight) to create a highly profitable, integrated freight transport mega-company (von Holdt, 2006). Labour was also fortunate in their engagements and negotiations because the ministries were very divided about the restructuring particularly the department of public enterprises (DPE) (von Holdt, 2006).

Another factor in the trade unions' favour was the division about privatization inside the government and the DPE itself. Von Holdt states: "While the DPE officials with direct responsibility for Spoornet continued to act as convinced agents for their policy juggernaut, other influential officials in the department, some of whom were closer to black management and more concerned with the formation of a viable 'patriotic bourgeoisie', had become increasingly sceptical of the policy juggernaut. All of these factors constrained the DPE from simply forging ahead".

Labour, government, and Spoornet's management reached a final agreement that the general freight business and Coal link would remain integrated within Spoornet and in state ownership (DPE, 2006). Labour, Spoornet, and government decided to agree that discussion on the future of Orex would continue condition that its future does not compromise the viability of the rest of the freight operation (von Holdt, 2006). Later, the ministry told labour, of its decision not to separate Orex from other operations, thus keeping it under state control and ownership in 2005. The trade unions succeeded in repulsing the restructuring trajectory by the government of South Africa even though it was a policy imperative from the GEAR strategy (a macro-economic framework pronounced in 1996 with the demise of the RDP strategy.

SATAWU achieved major victories on employee downsizing at Spoornet. In 2003 by the time the rail restructuring agreement was achieved, the rail public company had a staff compliment of 34,700 and was expected to undertake employee downsizing or workforce cuts, to reduce the figure to approximately 24 000 in two years, yet the original ministerial plan was to reduce the number of employees to 12 000 (Barret,2006). Labour, government, and the Spoornet management reached an understanding that job losses be eschewed at all costs. A task team to pursue this goal was established by labour and all parties involved Spoornet management, unions, and government, and to explore alternative employment and income generating endeavours (Barret, 2006). 550 employees were laid off in 2003 at Spoornet. This was a far much smaller number as compared to the originally planned 5.000 employees. Barret argued that, if there had been no engagements by labour, government and

Spoornet management, the layoffs could have been much worse, therefore there are advantages in transparent engagements and participation of the trade unions concerning the fate of their members (Barret, 2006). The Transnet Social Plan was produced to deal with rehabilitating the employees who lost their jobs due to the employee downsizing induced by the restructuring process.

It can be concluded that, the involvement of SATAWU, Spoornet management and the government in the restructuring decision making, produced a hybrid of constructive ideas on how to handle employee downsizing in an SOE. The engagement of labour, government and Spoornet management lessened the negative impact of the neoliberal restructuring trajectory which South Africa embraced as a method of engendering, SOE efficiency, effectiveness, productivity, profitability, as well as greater enterprise competitiveness. The Spoornet, case study became a unique example of how the trade unions' constructive resistance and opposition to the restructuring agenda of the post-independence government, yielded a positive result for employees who lived under the fear of employee downsizing once a government announced that it had formulated a public policy with provisions which made SOE restructuring compulsory for purposes of reducing SOE dependence on government finances and improving the operational performance of SOEs; such as what happened when the government of South Africa, produced GEAR as a macro-economic policy of South Africa. Government tried to convince labour that restructuring proceeds would fund the RDP programme (which was a product of COSATU and its alliance partners). Labour and its strategy were rooted in the ideological mindset of the Freedom Charter which is an anti-neoliberal restructuring reform.

SATAWU concluded that the Spoornet experience, shows clearly that when negotiations and engagements involve all concerned parties in good faith, constructive decision can be reached about the restructuring of SOEs. SATAWU warned that private consultants contracted as transaction advisors for the restructuring process are expensive and protect their own interests rather than those of the workers of Spoornet. SATAWU made the following succinct comments about the restructuring of Spoornet:

- The Spoornet experience tells us that the trade unions should be included in the process of deciding on the model for restructuring (Barret, 2006).
- The Spoornet case study points to the importance of consultants that have a formal agreement as their objective (Barret, 2006).
- The Spoornet experience tells us that while the financial resources available to the trade unions may be limited, their access to the ideas and experience of workers on the ground is an invaluable resource (Barret, 2006).
- The Spoornet experience tells us that governments need to trust the outcome of a genuine consultative process (Barret, 2006).
- The Spoornet experience tells us that a willingness to reconsider, based on evidence, is critical to wise political decision-making, (Barret, 2006).

It can be concluded that Spoornet is a great example of labour successfully engaging with government and Spoornet management to produce better results for employees because such negotiations minimize employee downsizing and provide a social plan for affected employees.

5.5 Restructuring, Privatisation and Downsizing Initiatives at Spoornet

One of the research issues raised in this study was the examination of the implications of restructuring and downsizing at the Spoornet. From the period 1997 to 2008 the downsizing process was implemented, and periodically employees lost their jobs. It is very clear from the literature and document study that the downsizing initiatives adopted by Spoornet continued for a considerable period of time. The downsizing strategy implementation precipitated employee jobs reductions. The initiative to turn around Spoornet was based on certain principles. The initiative to turn-around Spoornet was based on:

- The provision of a set of tools to enhance and streamline the management of the business to make it efficient and responsive to the customer (Barret, 2000).
- A greater understanding of the dynamics of the marketplace to enable the selection of the most appropriate integrated marketing and sales strategies to meet customer needs and regain competitive advantage (Barret, 2000).
- A greater understanding and concentration of focus on the operations and service delivery functions, including identification of efficiency improvements, output-based performance measurement and right-sizing (Barret, 2000).
- Changes to the organisation's structure and processes to provide a business management focus for its customers and the delivery of services (Barret, 2000).
- Creation of a level playing field for rail in the national freight transport, through better regulation of the road-based freight haulage industry. (Barret, 2000)

Given the above, it is important to note that in this strategy, the need for efficiency in operations was emphasized and efficiency initiatives advised by the restructuring and turn-around consultants (Barret, 2000). Efficiency measures and initiatives undertaken by the public railways enterprises resulted in downsizing of the enterprise (Barret,

2000). The downsizing initiatives at Spoornet resulted in a plethora of job losses, involuntary retrenchments, and lay-offs (Barret, 2000). Total employment was reduced by the downsizing process. Data gathered through governmental reports, annual reports and parliamentary reports have indicated that Spoornet lost many employees because of the downsizing activities of the enterprise. According to the Labour and Public Enterprises portfolio committee report on productivity factors at Spoornet: it stipulated that with fewer employees and less equipment they intend to improve on productivity (PMG,2000:5), Spoornet put a moratorium on all unfilled vacancies, such that many jobs deemed less critical were not filled, thus reducing the number of employees (PMG,2000:6).

The Halcrow Consultant hired to advise Spoornet on restructuring recommended improving operational efficiency measures and cutting the number of employees to improve the budget. Spoornet was also advised by the Rothschild Consultants who advised on decreasing the salary budget and improving the financial stability of the state-owned company hence the downsizing initiatives undertaken by Spoornet. The transport sector deregulation measures, the increased competition from road transport and the increased reliance on road haulers negatively affected the profitability and productivity of Spoornet hence the downsizing initiatives. The regulatory environment favoured road freight versus the rail transport thus Spoornet lost much of the business; consequently it suffered financially .Thus downsizing initiatives were also in response to the prevailing market challenges propelled by the rise in road transport freight and an, increased involvement in the same business .This also led to the call for government to re-examine the policy of road and rail haulage (PMG,2000:8).

In March 2001 representatives of labor and Spoornet met with the former ministers, Radebe and Omar to discuss the future structure and ownership of Spoornet. The two Ministers expressed the view that they were open to further discussions about the divergent views on the future restructuring of Spoornet. The meeting agreed to establish a Task Team to investigate and discuss restructuring options. It was agreed that the Task Team comprise of representatives of the three trade unions recognized by Spoornet (Sal staff, SATAWU and UTATU), and officials of the NDDT and DPE. The Task Team then co-opted Spoornet management and formed a Technical Working Group (TWG) that reviewed the restructuring options. The TWG then developed recommendations for the restructuring model of Spoornet.

Government and Labour agreed on the recommendations of the Task Team that set the final model for Spoornet Restructuring. The principal features of the Restructuring Model were as follows:

1. General Freight Business (GFB) and Coal are to remain part of an integrated rail freight operation. Additionally, the current reporting structure of Orex to Spoornet would be maintained. The parties agreed that further engagement on the future restructuring of Orex would occur (DPE, 2001).

2. The parties agreed that consideration should be given to combining Shosholoza Meyl, Metro Rails & South African Rail Commuter Corporation (SARCC) in one state owned subsidized passenger operation (DPE, 2001).

3. The parties agreed that Lux rail is a non-strategic operation that is first and foremost a luxury hotel operation and should therefore be concessioned to a private operator with expenditure in the hospitality sector (DPE, 2001).

4. The parties agreed that consideration should be given to establishing a two-tier system of management of the low-density lines. The challenges associated with these lines require maximum local consultation of stakeholders, and possibly a decentralized form of management. To this end parties have agreed speed to establish a Task Team comprising representatives of labor. Spoornet management and Government to investigate the status of low-density lines to ascertain the viability of a two -tier operation and management structure for high- and low-density rail lines (DPE, 2001).

5. The parties support the option for an extended network size of 15 800kl that includes a selection of light density lines, with expanded volumes up to 2020. To ensure the viability of this network, current efficiency and productivity should be improved to the required levels and be supported by the required levels of investment (DPE, 2001).

6. To deliver improved rail freight services to the country, it has been agreed that a range of turnaround strategies and projects will be implemented by Spoornet Management. The government, as shareholders, will hold Spoornet accountable for delivering on agreed service improvements (DPE, 2001).

7. The parties agreed that a mechanism be put in place to audit and evaluate the implementation of efficiency measures, within Spoornet, including initiatives to increase volumes (DPE, 2001).

8. Based on the agreed model, it is projected that approximately 8000 employer induced retrenchments will occur in the period ending 2006. This is substantially less than what was envisaged in the original plan. The parties agreed to establish a task team comprising labor Spoornet Management and Government to identify innovative ways to mitigate job losses at Spoornet by identifying alternative employment and income generating activities for retrenched workers (DPE, 2001).

The parties have agreed that the National Department of Transport develop policies and policy instruments that help support the movement of freight by rail where appropriate. Point number 8 above, affected the downsizing process at Spoornet.

In the financial year 1996/1997 the total number of employees at Spoornet was 50192 (PMG, 2000). However, the number declined by 2410 in the financial year 1997/1998, leaving the total number of employees at 47782 (TWG, 2001). In the following financial year, the number of employees decreased by 4046, thus leaving Spoornet with only 43736., In the financial year 1999/2000, 4836 employees were retrenched from Spoornet. Thus, as depicted in the table below, by the end of 2003 the total employee reductions from Spoornet was 15340. These reductions were higher in 1998/1999 and 1999/2000 financial years. In 2001 and 2003 the reductions were lower than the previous years. The table below show the trends in employee downsizing at Spoornet during 1996 – 2003 period.

Table 5.4: Employee downsizing (1996 – 2003)

YEAR	NUMBER OF EMPLOYEES	REDUCTION	PERCENTAGE REDUCTION

1996/1997	50192		
1997/1998	47782	2410	5.04%
1998/1999	43736	4046	9.25%
1999/2000	38900	4836	12.43%
2000/2001	35492	3408	9.60%
2001/2002	34923	569	1.63%
2002/2003	34852	71	0.20%
TOTAL	**285877**	**15340**	**38.16%**

(Author's Compilation)

It can be deduced from the discussion above that, the percentage of employee job reductions were high during the 2000/2001 financial year, and it was lowest in 2002/2003. Most of the downsizing was achieved through voluntary retirement, packages, severance packages for employees across various terminals of Spoornet across the country. The downsizing trend continued after 2003. In 2003/2004 financial year only 81 employees lost their jobs. In 2004/2005, 2255 employees were retrenched and in 2006/2007, 6587 employees were let go by Spoornet as shown by table and graph below. Thus, 10275 employee reductions, took place from 2003-2008(DPE, 2008).

Table 5.5: Employee downsizing (2003-2008)

YEAR	NUMBER OF EMPLOYEES	REDUCTION	PERCENTAGE REDUCTION
2003/2004	34771	81	0.23%
2004/2005	32516	2255	6.94%
2005/2006	31398	1118	3.56%

2006/2007	24811	6587	26.55%
2007/2008	24577	234	0.95%
TOTAL	**148037**	**10275**	**38.23%**

Source: DPE (2008).

The trend in employee downsizing continued up to 2008.The graph below reflects the downsizing in the numbers of employees and the reductions therefrom.

Thus far, it can be concluded that the implementation of downsizing initiatives has led to massive employee number reduction. The table below shows clearly the trends in employee retrenchment at Spoornet from 1996 to 2008The graph also serves shows the total employee retrenchment from 1996 to 2008, which was 25615.

Table 5.6 Employee downsizing (1996-2008)

YEAR	NUMBER OF EMPLOYEES	REDUCTION	PERCENTAGE REDUCTION
1996/1996	50192		
1997/1998	47782	2410	5.04%
1998/1999	43736	4046	9.25%
1999/2000	38900	4836	12.43%
2000/2001	35492	3408	9.60%
2001/2002	34923	569	1.63%
2002/2003	34852	71	0.20%
2003/2004	34771	81	0.23%
2004/2005	32516	2255	6.94%
2005/2006	31398	1118	3.56%
2006/2007	24811	6587	26.55%
2007/2008	24577	234	0.95%
TOTAL	**433950**	**25615**	**76.39%**

(Author's compilation)

The Technical Working Group (TWG) that reviewed the restructuring process at Spoornet had projected that by 2006, starting from 2002, 8000 employer-induced retrenchments would have taken place (TWG, 2003). However, the number of job losses, was far greater than the projected 8000. It was in fact 10275; therefore, 2275 more employee reduction took place than earlier projected. Salstaff, Satawu, Utatu union members were most affected by the reductions. Their membership was reduced; thus, their collective bargaining and mobilising power was severely corroded (TWG, 2003). The Technical Working Group noted that depending on the factors driving changes in employee numbers, in any company, inclusive of Spoornet, there could in theory be three different scenarios for outflows of employees. These are:

1. Replace all workers who leave through "natural attrition" (retirement, resignation, dismissal, ill-health, or death) i.e., keep the workforce at the status quo size.
2. Replace some workers who leave.
3. Allow natural attrition to take its course and cut staff further through retrenchments (voluntary and/or non-voluntary).

(Source: Joint Workshop, 2000)

It must be noted that, by July 2005 950 workers had not been re-matched into alternative positions in Spoornet as agreed upon by representatives of Labour, Spoornet and Government. The introduction at this stage of new technology made it difficult for these employees to be re-matched. Thus, in September 2005 management triggered retrenchment consultations concerning 950 identified workers and after four

months of consultations, under an independent conciliator, 400 workers were placed in new jobs within Spoornet. Thus, 550 workers were retrenched on a non-voluntary basis by the end of January 2006. From the discussion, it can be deduced that downsizing caused non-voluntary retrenchments resulting in employee reductions at Spoornet. It should also be noted that the turnaround projects conceived originally by management changed in practice. Spoornet established efficiency practices at the company. These were entrenched in the consultative process with Labor. They included:

1. Drawing on the cash-flow of the integrated company to cover the cost of Mutual Consent Packages (which are normally pegged at a rate somewhat more attractive than a retrenchment package).
2. Allocating time and resources (including the time of shop stewards) to facilitate the redeployment of workers into other positions within Spoornet, and occasionally into other positions within the group.
3. Permitting some “redundant” workers to stay at home and not report for duty until such time as alternative employment has been found, or until such time as a mutual consent package has been agreed.
4. Allocating time and resources to re-training.

Allocating time and resources to finding alternative employment outside of Spoornet and Transnet**.** (Source: Joint Workshop, 2000)

Casualisation of labour puts employees at the mercy of contractors who do not care about health and safety but about profit only. Under increased casualisation, wages

are poor; career development opportunities dwindle, and pension fund facilities are eroded. It must be borne in mind that the efficiency measures and the agreement between trade unions, government and management were based on the four scenarios formulated by the parties involved. The scenarios are depicted below:

Table 5.7: The four scenarios

In line with the agreed approach of the Technical Working Group, the four scenarios utilized were:

1. An organization with 15,800km of rail track, transporting traffic volumes associated with high growth and low growth. This organization includes COALlink, Orex and much of what is currently known as the General Freight Business (GFB).
2. An organization with 10,300km of rail track, again transporting traffic volumes associated with high growth and low growth. This organization includes COALlink, Orex and less of the current General Freight Business (GFB).
3. Calculated numerical employment and staff has been kept the same regardless of the eventual business model to be followed (GFB, COALlink and Orex as an integrated entity or concessioned export lines with a stand-alone GFB). This assumes that the turnaround of the GFB linked to efficiency initiatives will primarily contribute to the reduced number of positions. A five-year turnaround period was assumed.
4. Separation cost (to establish three separate organizations) will have to be kept in mind if an integrated business model is not pursued. Staff contributions towards these costs are not regarded as material', although some duplicate capacity would have to be created in the areas of Safety Management, Technical / Engineering and Training. Currently these skills are available as part of the bigger Spoornet**.**

(Source: Joint Workshop, 2000).

5.6 Chapter summary

South African State- Owned Enterprises originate from the apartheid and colonial era and found in major state utilities and industries of strategic importance. The rationale for the implementation of the restructuring policy programmes in SOEs was to enhance operational efficiency, effectiveness, competitiveness, productivity as well as profitability. The government initiative restructure and downsize SOEs was also propelled by the desire to reduce their over-dependency on government financial support. COSATU-allied unions resisted all attempts by government to pursue the restructuring and downsizing of SOEs because of the negative impact on employees. Trade unions succeed in blocking government from selling Spoornet which was its original goal. Employee downsizing took the form of voluntary severance packages, casualisations and other forms of employee layoffs. Downsizing was also caused by efficiency measures that the public enterprise implemented on the advice of Consultants, a Job Loss Mitigation Task Team, and the trade union formation. Because of efficiency measures employee downsizing took place as had been predicted by the committees involved in efficiency measures and job mitigation task team and labour:

Table 5.8: Projected reduction in positions per period

Table 3: Projected Reduction in Positions per Period						
Scenario	02 - Jan	03 - Feb	04 - Mar	05 - Apr	06 - May	Total
15,800 High	3,007	3,882	2,205	1,556	407	11,057
15,800 Low	3,007	3,882	2,205	1,606	787	11,487

10,300 High	3,007	3,882	3,293	2,086	892	13,160
10,300 Low	3,007	3,882	3,293	2,086	1,154	13,422

Source: Joint Workshop (2000)

These projections were not simple numbers but human beings who once had jobs in the SOE and had to lose their employment because of the productive-sectors circumstances of the SOE.

Table 5.9: Productivity factors

	1996/97	1997/98	1998/99	1999/00
Employees	50192	47782	43436	38764
Active wagons	103377	102140	101432	100880
Active locomotives	3124	3190	2974	2827
GTK ('000 000')	61417	166270	167384	164700
Tons ('000 000')	180.5	186.8	182.7	178.0

Source: Joint Workshop (2000).

While it was important to save the SOE from being privatised, the cost of implementing efficiency measures was high, since it involved employee downsizing as shown by the table above.

CHAPTER 7: DISCUSSION OF FINDINGS

7.1 Introduction

This chapter presents a discussion of the findings that were reported in the preceding chapter. The major thematic frames under which findings are discussed are, rationale for restructuring and downsizing of SOEs, implications of restructuring and downsizing for employees of SOEs, employees trade union response to restructuring and downsizing (which is divided into two sections namely Cosatu response to restructuring and downsizing of South African State-Owned Enterprises (SOE)s, and Satawu resistance to restructuring and downsizing. It is important to note that Cosatu is the federation and Satawu is an affiliate union, therefore most decisions taken by Cosatu on resistance to restructuring and downsizing of SOEs, are binding on all its affiliates. Thus, it is important to examine holistically trade union response to the restructuring and downsizing of SOEs in South Africa. These themes were derived from the aims of the study. The discussion of the findings is explored within the framework of the literature reviewed and the theoretical framework adopted by the study. Following the discussions is the summary of the chapter and that brings the reader to the end of the chapter.

7.2 The rationale for restructuring and privatisation of SOEs

The rationale for restructuring and privatisation is that research findings indicate that SOEs in South Africa preponderantly were propelled to embark on restructuring and privatisation because of the need to attain greater operational efficiency, effectiveness, and financial competitiveness. The heavy dependence on national government's

financial bailouts became a stumbling block to the sustainability and growth of these SOEs. The study also acknowledged that the creation of SOEs was propelled by the desire of governments to correct market deficits, capital shortfalls, to manage the reduction of unemployment, to create state control in the corporate governance of key and strategic SOEs and to control of the economy.

In South Africa, SOEs were critical for the apartheid political economy just as they are in the democratic era. SOEs were used to create massive employment opportunities with the consequence that they had bloated structures and were overstaffed. They were also used to produce goods at reasonably lower prices and to enhance economic development initiatives. SOEs were sometimes manipulated for attainment of socio-political goals by various successive governments in South Africa. Inefficiency, ineffectiveness, lack of productivity, poor fiscal performance, and lack of industrial competitiveness crept in. Huge debts were incurred, rising corruption and regular political interference from the ruling oligarchical elites and the general feeble management of the SOEs, culminated in calls for reforming these enterprises from business, labour, and government. As far as railways is concerned, they are alternative models of railways restructuring and privatisation as shown in table 7.1 below:

Table 7.1: Alternative models for railway restructuring

<table>
<tr><td colspan="5">Alternative Models for Railway Restructuring</td></tr>
<tr><td rowspan="5">Structural Change</td><td></td><td colspan="3">Private Involvement</td></tr>
<tr><td></td><td>Public Ownership</td><td>Concessions or Franchises</td><td>Private Ownership</td></tr>
<tr><td>Integral</td><td>Vertical Integration with State Ownership</td><td rowspan="2">Vertical Integration with a State Railway but with Concessions</td><td rowspan="2">Vertical Integration with Privatization</td></tr>
<tr><td>Integral</td><td>Vertical Integration with Commercialized State Firm</td></tr>
<tr><td>Dominant Integral</td><td>Multiple State-Owned Firms with a Dominant or Separated Integral Commercialized State Firm</td><td colspan="2">Competitive Access for Private Rail Operations with a Dominant Integral usually State-Owned</td></tr>
</table>

	Separated integral	(usually a divisional structure – based on market or region)	Competitive Access for Private Rail Operations with a Separated Integral usually State-Owned	
	Separation	Vertical Separation with Commercialized State Firm	Vertical Separation with Concessions	Vertical Separation with Privatization

(Escap,2003)

The fiscal over- dependence of SOEs on government budget generated the urgency of the restructuring reform policies to be formulated and implemented. In South Africa the National Framework Agreement sealed all the debates on SOE restructuring by proclaiming its urgent necessity and need fo adoption. Yet when the SOE restructuring through downsizing was implemented, it had a critical negative impact on the workforce. SOEs resort to employee downsizing and restructuring to cut the budget and maintain a clean balance sheet. The constitution of the Republic of South Africa requires the state to engage in pro-active action in the process of socio-economic growth and creation of social balance in South Africa. The constitution makes it clear that the state can make reforms for macro-economic growth State Owned Enterprises (SOEs) in South Africa play a pivotal role in the process of economic development. However, the SOE in the railways sector in South Africa had many challenges and problems hence the critical need to restructure them. The table below summarizes major problems with railways SOEs and hence the need to restructure them.

Table 7.2: Problems of railway SOE in South Africa

[a] Chronic Financial Deficits	Constrains on changes imposed through Government regulation. Persistent excess capacity. Provision of guaranteed service levels at fixed prices or with 'excess' competition. Provision of services at below marginal cost. Failure to understand or identify costs. Ineffectiveness in collecting revenues. Low productivity, unduly high operating costs: Overmanning.
[b] Growing Operating Subsidies	Chronic financial deficits. Lack of 'corporatization'. Inadequate definition between roles of government and of the railway operator. Inadequate subsidy policies.

[c] Archaic Pricing Structures	Prices are not related to marginal costs. Costs mot properly identified or measured. Inadequate financial and management accounting systems. Inadequate or non-existent pricing objectives or statements of pricing policy.
[d] Lack of an Equitable Fare Structure and Excessive Fares.	Lock of user or community representation in service and price decision making. Public or private monopoly.
[e] Excessive costs, Low managerial and technical efficiency, Low Productivity.	Lack of competition or existence of 'natural' monopoly. Over-manning, Lack of investment.
[6] Low service quality, Congested services, Services have failed to respond to need.	Lack of competition. No peak-load pricing. Inadequate cost recovery in pricing policies. Inability to reinvest operating surpluses or raise funds for investment.
[f] Deficiencies in the physical infrastructure. Insufficient investment funding. Assets have not been maintained.	Failure of pricing policies to recover capital costs. Structural inability to retain/reinvest surplus funds. Regulations preventing investment or borrowing.
[g] Widespread state ownership of railway infrastructure and services. Low Private Sector participation	Lack of policy or strategic commitment to competition/corporatization/privatization.

(Escap,2003)

The decision to restructure any SOEs does not come from a vacuum. Many factors are examined like the ones in the table above. These are chronic financial deficits, deficiencies in the physical infrastructure, insufficient investment funding, low private sector participation, low service quality, congested services, excessive costs, low managerial and technical efficiency, Low productivity, lack of an equitable fare structure and excessive fares, and growing operating subsidies. All these facets in sum motivate governments and SOEs to restructure because these problems impact on the SOEs' performance This research also found that most railway SOEs in a crisis exhibit similar features and these characteristics lead management of SOEs to take a decision to restructure them. The table below depicts features of railway SOEs in a crisis hence the need to restructure them and salvage them from the crisis.

Table 7.3: Common features of railways SOEs in crisis

Railway SOEs in a crisis usually:

- Are one of the nation's oldest institutions and are perceived as a public service provider.
- Have engineering and production-orientated management cultures which are uniquely resistant to change.
- Have a large, unionized work force with political power which is used to protect the size of the labor force.
- Have been forced to set uneconomic passenger fares and freights rates as an instrument of government policy on private, regional development, industrial or agricultural development.
- Are protected by the ministry that owns and operates as an instrument of political influence and,
- Are suffering loss of market share.

(Escap,2003)

Key State Assets in transport, telecommunications, energy and defence must support the vision of government of global competitiveness and economic development. Since the attainment of freedom in South Africa inefficiency and ineffectiveness of SOEs has militated against successful economic development hence government has endeavored to improve it through restructuring and privatisation of SOEs. The aims of restructuring of SOEs in South Africa are; a) To facilitate economic growth; b) To fund the RDP (Reconstruction and Development Programme); c) To create wider ownership in the South African economy through black economic empowerment and boosting the small and medium enterprise sector; d) To mobilise private sector capital; e) To reduce state debt (proceeds may be used to reduce state debt from the apartheid era); f) To enhance the competitiveness of state enterprises by opening up accessibility to global markets; g) To promote fair competition; and h) To finance growth and requirements for competitiveness (Policy Framework, 2000).

The objectives are a mirror reflection of utmost commitment to improving the economic and public sector landscape of SOEs. There is an inescapable demand for new financing through different forms of domestic and foreign partnerships to promote infusion of new equity capital and especially technology in SOEs. The quest to infuse new technology has motivated SOEs to restructure so that they can accommodate new technology in their operations, thus improving their functional efficiencies. Technology works hand in hand with innovation in the SOEs. Innovation is one of the factors that caused SOEs to restructure. In the face of modern technology and innovation SOEs have no choice but to embrace innovation in their operations. Improving SOEs is important for job creation and job security (Policy Framework, 2000). At the heart of heart of government economic initiatives is the desire for economic growth and redistribution. The restructuring of state-owned enterprises (SOEs) is meant to reduce government ownership and control (Terry, 2005). The restructuring and privatisation initiatives improve markets and services. Most public enterprise have incurred huge debts and loses and through the restructuring and privatisation process, they have a chance to raise revenue to pay off debt and operate profitably.

The ruling ANC-government also believes that the socio-economic developmental objectives of government are critical in the economy hence the focus of improving SOEs should not be on financial viability of SOESs (ANC, 1994). Improving the socio-economic lives of South African citizens successfully can also reflect the credit of the role of SOEs in the economy. The government of South Africa has formulated enabling rules and regulation for the successful implementation of the restructuring of SOEs initiative. State Owned Enterprises (SOEs) play a crucial role in the current phase of

economic restructuring where the focus shifts from macro-economic stability to the development of a sustainable growth trajectory.

The restructuring of State Assets aims to promote accountability and transparency (Naledi, 1999). Socially restructuring and privatisation seek to promote employment, ownership, and participation economically. Private public infrastructure partnerships in many sectors have already been manifested in the partial privatization of Telkom, ACSA, and South African Airways (SAA). Thus, State Owned Enterprises (SOEs) are important for the economic growth and development Through the instrumentality of the restructuring programmes, the government of South Africa aims at creating a market-driven reform and economic milieu, largely supported by private, public, and social capital (Policy Framework, 2000). This process attracts investors locally and globally and competition forms a central element in the restructuring of State-Owned Enterprises.

The main objective of the government is to ensure that restructuring results in competition and affordable prices (New Agenda, 2002). The restructuring programme of the Department informed by the Policy Framework titled, "An Accelerated Agenda Towards the Restructuring of State-Owned Enterprises" was released in August 2000.The Policy Framework aimed to:

- Set out objectives and the guiding principles for the process.
- Provide a more comprehensive framework. (MPE,2000).
- Provide all stakeholders with clarity (MPE,2000).
- It is also crucial to note that there are critical policy issues concerning the restructuring of railway SOEs. These include the issues listed below:
- Cost Recovery from Users (MPE,2000).

- Revenues and/or government support for each service should be equated with costs (MPE,2000).
- Pricing policies. Many approaches to railway pricing exist and they are likely to differ by major line of business (MPE,2000).
- Social Service Commitments. Railway SOEs are used for developmental goals.
- Services that are to be continued.
- Over-staffing. Railway SOEs are usually overstaffed hence the need for railway restructuring (MPE,2000).

The government of South Africa has been consistent in its main aims for the RPI since independence. Consequently, all the policies struck remarkable adherence to the restructuring and privatisation trajectory as shown by the table below.

Table 7.4: SOE adherence to the restructuring and privatisation trajectory

RDP (1994)	GEAR (1996)	NFA (1996)	IMCC (1999)
Meeting basic needs	Introducing budget reform to strengthen the redistribution of expenditure	Increasing economic growth and employment	Ensuring wider participation in the South African economy
Developing human resources	Effecting a faster reduction in the fiscal deficit	Meeting basic needs	Creating effective market structures in the sector currently dominated by SOEs
Building the economy	Encouraging a competitive and stable currency	Redeploying assents for growth	Attracting foreign direct investment
Democratising state and society	Ensuring monetary consistency to limit inflation	Facilitating infrastructural development by mobilising and redirecting private sector	Reducing the public sector borrowing requirement
Implementing the RDP	Reducing tariffs to complement industrial restructuring	Reducing state debts	Enhancing the efficiency and effectiveness of SOEs
	Introducing tax incentives for new competitive investment and labour absorption	Enhancing competitiveness and efficiency of state enterprises	Financing growth and requirements for Competitiveness

	Accelerating the restricting of the state assets to optimise investment	Financing growth and requirements for competitiveness	Accessing globally competitive technology
	Expanding infrastructure investment to address service deficiencies and backlogs	Developing human resources	
	Ensuring appropriate flexibility in labour markets		
	Funding skills training commensurate with needs		
	Expanding trade and investment- in Southern Africa		
	Implementing stable and co-ordinated policies		

Source: MPE (2000).

The table above shows a remarkable consistency among the main objectives of restructuring and other state industrial and economic policies in South Africa.

7.2 Employee labour trade union response to restructuring and privatisation.

7.3.1 Confederation of South Africa Trade Unions (Cosatu) response to the restructuring and privatisation of State-Owned Enterprises (SOEs)

To proffer a holistic view of the trade union response to the restructuring and downsizing of SOEs, as mentioned earlier, this research will commence with the response of Cosatu which is the federation where Satawu resides. In terms of the response by the Confederation of South Africa Trade Unions (Cosatu) to the restructuring and downsizing of SOEs, it should be noted that Cosatu resisted the whole process from its conceptualisation because of the negative implications for employees. Cosatu had many engagements with government, SOEs leadership and civil society at large, about the restructuring initiative and opposed it in the widest sense because of the negative implication for employees of the SOEs.

The other major complication for Cosatu was that it was a member of the tripartite alliance with the ruling ANC (African National Congress), so this made it very difficult to oppose decisions of the ANC-controlled government. However, because of pressure from membership and their affiliate unions, Cosatu opposed the restructuring of SOEs in any sector in South Africa. Most of the resistance activities were performed by Satawu because the members operated on the shopfloor at Spoornet. Thus, a more detailed response against Spoornet restructuring and downsizing emanated directly from Satawu, and its members as documented by this research.

7.3.2 South African Transport and Allied Workers Unions' (Satawu) Response to the restructuring and privatisation of State-Owned Enterprises (SOEs)

Satawu operates at Spoornet as the union responsible for the employee trade union issues. Satawu is an affiliate of Cosatu and, therefore, agrees with most of the anti-restructuring policy positions of Cosatu. In this section, the research discusses the response of Satawu. At the initial stage of the government initiation of the restructuring of TSOE, labour (SATAWU, SALSTAFF, UTATU) vehemently rejected the ministerial proposal due to, the absence of transparency, and effective consultation with trade unions in the conceptualization and development of the restructuring and privatization strategy which labour believed would culminate in the diminishing of railway safety standards, precipitate novel inefficiencies and debilitate the financial virility and sustainability of proposed standalone general freight entity, and the potential for employee downsizing (Barret, 2006). Labour conceptualized input of their own which

encompassed changes in the supervisory regime, increased investment in human resource development, dealing with racial conflicts at work and finally piloting employee participatory projects of efficiency (ICFTU, 2006).

The key concern of trade unions was that privatisation allows businesses to focus on profits than developmental goals of the nation. Thus, they opposed it. They also argued that parts of the country with high poverty ratios would suffer (Barret, 2006). This outcome would amount to the destruction of rail infrastructure and would increase road freight volumes, imposing significant additional costs on the state and on road users, both in the form of additional road infrastructure maintenance and in the form of other externalities, such as traffic congestion and accidents, pollution, the balance of payments impact of increased petrol consumption (Barret, 2006). The unions argued that the fundamental business strategy of Spoornet should be to expand volumes to take the pressure off the road network by making optimal use of the rail infrastructure and assets to facilitate local and regional economic development. Internal cross-subsidization of unprofitable lines and customers should continue (Barret, 2006). The freight operations of Coal link and Orex, they argued, should remain integrated with (general freight) to continue taking advantage of operational and technological synergies (Barret, 2006). Splitting them would generate separation costs as well as ongoing ones. The ministerial restructuring plan for Spoornet aimed to separate the business units and privatize 4 units via concessioneering (Barret, 2006). The Ministerial Plan stipulated:

- The bulk cargo line concessioneering.
- The luxury passenger line immediate concessioneering.

- Leaving unprofitable general freight business to Spoornet and its network reduced to ten thousand and five hundred kilometres and its workers downsized by fifteen thousand (Barret, 2006).

The ministerial agenda was very clear from the onset. It required internal cross-subsidization of unprofitable by profitable operations to stop (ICFTU, 2006). The department of public enterprises also agreed that after a 3-year turnaround period, a strategic equity partner could be sought instead of concessioning (Barret, 2006). These baffling policy inconsistences and contradictions on the part of government, in terms of its position on the restructuring reform, were met with resistance from labour. The government made its intentions public and SATAWU responded immediately by convening an urgent workshop on the plight of Spoornet and produced the controversial document called “Reconstructing Spoornet”. On the basic of this, SATAWU, engaged with SALSTAFF, UTATU, TSOE management and government on the restructuring of Spoornet. SATAWU, UTATU and SALSTAFF adopted the document as their official position and worked together as a united front, during engagements, negotiations, and participation with Spoornet management and the government ministry of public enterprise (Barret, 2006).

When the Government of National Unity came into power, it found a very large public enterprise sector with an approximate total employee complement of 300 000 employees. With the adoption of the RDP, as mentioned earlier, a more socialist-inclined economic trajectory was adopted which was supported by most liberation and civic organizations and Cosatu and its affiliates, but when the neo-liberal macro-economic policy called GEAR (growth employment and redistribution) was ushered in,

in 1996, a neoliberal economic system was launched. GEAR exposed the urgency of adopting a neoliberal trajectory, thus the restructuring of SOEs was the order of the day in South Africa. In 1999, the State adopted of a decision to pursue an SOE restructuring and privatization project which the unions opposed.

The engagement, opposition, and refusal by SATAWU, to allow wholesale restructuring at Spoornet, was successful and benefited its members and the federation, COSATU and other affiliates (von Holdt, 2005). SATAWU, could resist neoliberal restructuring of Spoornet, through engagement with ruling ANC and government officials, through protest action, negotiating with Spoornet's leadership, using COSATU's power and influence as an alliance partner of the ruling ANC/SACP/COSATU in government and through the production of an alternative reform strategy called Reconstructing of Spoornet (von Holdt, 2005).

The document from the union called Reconstructing Spoornet was a masterstroke in the history of trade union responses to the government's neoliberal restructuring and privatization efforts. SATAWU's ability to resist, oppose and denounce the government programme was hailed by COSATU, the federation and labour in general, as a victory and good story to tell in South Africa and the world, because SATAWU managed to eschew massive employee downsizing and job losses, retrenchment, and layoffs. However, the alternative reform strategy produced by SATAWU was not without criticism. While it successfully forestalled massive employee downsizing, it was alleged that the document was established and implemented by a few in the leadership of SATAWU and influenced by the leadership of COSATU (Naledi, 2005). After, the

production of the document very little engagement with workers took place and limited strikes occurred, thus, a few leadership representatives were at the forefront of ensuring the engagement with the alliance partners and the leadership of Spoornet (Naledi, 2005).

Consequently, the trade union response or labour' s response to the neoliberal SOE reform strategy by government was comprehensive, detailed and very organized, hence it acceptance by the management of Spoornet, to engage and negotiate the process of reform implementation within SOEs. SATAWU's action protected employees from the wrath of neoliberalism and its consonant neoliberal restructuring of SOEs strategy. Workers were protected from retrenchments, job losses, layoffs and generally employee downsizing which normally accompany this process, as was happening at the time at other SOEs in South Africa and the world.

CHAPTER 8: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

8.1 Introduction

This study was undertaken to investigate the implications of restructuring and privatization of State-Owned Enterprises (SOE)s on employees with specific reference to Spoornet in South Africa. The previous chapter presented a discussion of the findings of the study. This chapter presents the objectives of the study, summary of findings, the conclusion of the study, recommendations, areas for further research and conclusion. The general and main objective of this research is to examine the implications of restructuring and privatisation of State-Owned Enterprises on employees in South Africa with specific reference to Spoornet. To achieve this, the following specific objectives were set:

1. To investigate the rationale of restructuring and privatisation of State-Owned Enterprises (SOEs).
2. To examine the implications of restructuring and privatisation of SOEs on employees.
3. To examine trade union response to restructuring and privatisation.

These objectives were operationalized through data collection and analysis. Below is the summary of findings.

8.2 Summary of findings from document analysis

The results from document analysis and all secondary sources reiterated that the key rationale for the restructuring and downsizing of SOEs and Spoornet was to ameliorate challenges of poor performance and to ward off SOEs financial dependence on national government's financial bailouts. Spoornet experiences poor performance particularly given the acute competition it experiences from road haulage. Its market share contracted, with the result that the SOE performed poorly financially and operationally. In fact, Transnet faced critical financial problems and government thought restructuring programmes could be a viable panacea for the problems of lack efficiency, effectiveness, competitiveness, productivity, and profitability. Thus, the rationale for restructuring SOEs was a response to poor corporate governance problems which were experienced by Spoornet and other SOEs in South Africa.

Restructuring and downsizing initiatives encouraged by the department of public enterprises were also externally inspired by a western neoliberal thought trajectory just like the structural adjustment programs which many less developed countries solicited from the west and consumed blindly despite the economic and social suffering they produced for poor people of such nations. Transnet, the holding company for Spoornet, had received many financial bailouts from national government, but it continued to underperform, hence the need to restructure it. Advised by the turnaround or restructuring consultants, efficiency initiatives were implemented which included massive employee downsizing. Usually, SOEs downsize to cut costs and maintain clean and credible balance sheets but they do it at the expense of the employees.

Retrenchments, severance packages, early retirements, and layoffs, all result in job reductions. The role of Cosatu as a federation influenced the resistance of Satawu against the restructuring of SOEs and Spoornet. The Satawu management aimed to prevent the management of Spoornet and government from completely privatizing Spoornet hence they saved many jobs, although Spoornet went through employee downsizing during this period.

The document called Reconstructing Spoornet was a by-product of a massive trade union engagement with government and the management of Spoornet.Trade Unions in the transport sector opposed the government' plans to restructure Spoornet which they won after a prolonged period of engagement and intense negotiations. These unions are SATAWU, UTATU and SALSTAFF. SATAWU led most of the negotiations and engagement on behalf of employees from the 3 unions because it is the majority union in the sector. Majority employees gave the mandate to SATAWU to represent them. The GNU pursued an IMF/WB- influenced railroad restructuring strategy (ICFTU, 2006). This approach encouraged the separation of profitable from less profitable units of Spoornet as was happening across the world, (ICFTU, 2006).

After the union-led agreement with government and Spoornet management not to privatise the entity completely, disagreements and contestations still emerged. According to Naledi while this outcome constituted a quite extraordinary triumph for labour's engagement, it has become clear that the implementation of the agreement will be subject to on-going contestation (Naledi,2002).

Implementation of the agreement required the following.

- Spoornet to adopt a new mandate based on the “high-volume extended network” scenario, in which the company would facilitate a modal shift of freight from road to rail as well as regional economic development. This mandate would entail retaining the cross-subsidisation of unprofitable lines and customers (Naledi,2002).
- A strong focus on the turnaround of Spoornet through improving efficiency, customer service and commercial results (Naledi,2002).
- Establishing a joint government-management-labour task team to conduct a line-by-line investigation of the light density lines and consider the form of a new management structure for these lines (Naledi,2002).
- Establishing a joint job loss mitigation task team.
- Forming a task team to investigate the restructuring of Shosholoza Meyl, and to negotiate issues connected with the privatisation of the Blue Train (Naledi,2002).

Implementation was paralysed by varying views management had drawn up on a comprehensive plan for the concessioning or leasing of light density lines to the private sector (Naledi,2002). Its approach to lines, customers and tariffs appeared to labour to be informed by a rationale of “full cost recovery” and a drive for GFB to achieve financial break-even, ignoring the principle of cross-subsidisation in support of the broader goals embodied in the agreement (Naledi,2002). Labour concluded that management had not internalised the agreement or its new mandate (Naledi,2002).

A plethora of issues contributed to this breakdown of relations between government and management in the last stages of finalising the agreement. These included the preference by government of profit over socio -economic objectives of the developmental state and the attitude of black executives, and the alleged improper conduct by the leadership of the SOE (Naledi,2002).

The DPE, on the other hand appeared to be committed to the agreement, defending it vigorously in public and in meetings articulating a strategic vision very similar to that of labour (Naledi,2002). The two DPE officials most involved in the privatisation policy juggernaut had resigned, and new officials had replaced them, but DPE did, however, attended meetings and took measures to resolve the impasse (Naledi,2002).

According to Naledi, for most of 2002 the agreement remained stalled as the three parties sought consensus over the meaning of the agreement and the mandate to Spoornet (Naledi,2002). A major problem arose during the discussions, but it was resolved, and the unions agreed to resolve their disagreements and reached an agreement with Spoornet leadership. (Naledi,2002). Since then, as a series of fruitful meetings have been held to work on establishing a dedicated management structure for the LDLs to avert their decline (Naledi,2002).

The former minister of public enterprises rejected the World bank- approach to rail restructuring, arguing that the notion that the state must surrender its enterprise to the private sector because this sector is more effective and efficient, was incorrect. The minister openly supported state-ownership of SOEs (ICFTU, 2006). The minister

pointed out that the thinking that the private sector is more productive and efficient was flawed because the public sector's performance is influenced by a particular macro-economic framework just as the private sector is influenced by corporate structures and managerial practices, (ICFTU, 2006). The story of SATAWU and Spoornet shows that trade unions should be included in the process of making decisions on the models of SOE, transformation, and restructuring (SATAWU, 2006**).** This is because unions make decisions based on practice, real life ideas and experience although they may lack financial resources otherwise their practical experience is an invaluable resource to the whole process of restructuring models decision making (SATAWU, 2006). In summary, the following important observations have been made about the Spoornet restructuring and privatisation engagement:

24 Key Observations from the Spoornet Restructuring and Privatisation Initiative (SRPI):

1. The process of engagement revealed that the privatisation plan adopted by government was fundamentally flawed (Naledi,2014).
2. The plan was premised on certain assumptions regarding investment requirements, cash flow and business viability, but neither the consultants nor government had done any financial projections to test these assumptions (Cosatu,2008).
3. If the plan had been implemented, the result would have been a fundamentally unviable GFB (Cosatu,2008) In addition, the plan was not linked to the broader socio-economic objectives of government - most glaringly the policy to encourage a modal shift of freight from road to rail. How did government come to adopt such a bizarre plan? (Cosatu,2008)

4. The general orientation of DPE towards economic orthodoxy and private sector solutions obviously predisposed its officials to seek a solution for Spoornet's problems through privatisation. In other words, the restructuring plan was the outcome of an ideological choice rather than one based on serious analysis (Naledi,2014).
5. The ethos of the DPE itself is quite like that of consulting organisations, which reinforces this predisposition. The DPE lacked either the expertise or the will to rigorously interrogate the proposals or manage the consultants. Indeed, the ideological nature of the choice meant that there was little need to interrogate the proposals in any depth (Satawu,2008)
6. The contract with the consultants appears to have been inappropriate. It is generally believed by those involved in the process that Rothschild was contracted both to develop the restructuring proposals and to act as transaction adviser – which is where the real money is made- thereby constituting a clear conflict of interest. Thus, the greater the number of transactions or the value of the transactions, the more Rothschild would benefit – a calculation unlikely not to have influenced its restructuring proposals (Satawu,2008).
7. Once the officials in charge of the restructuring of Spoornet endorsed the proposals and advised the minister accordingly, the restructuring plan became embedded in a policy juggernaut relatively impervious to further discussion or influence (Naledi,2014).
8. This had an impact on the nature of the engagement between labour and government (Naledi,2014). The tone was extremely conflictual and adversarial – it was clear to all participants that there were two contending positions. The

process could not therefore be characterised as an open discussion or a person of problem-solving (Naledi,2014).

9. Nonetheless, the presentation of detailed information by management and experts did help both parties rethink aspects of their positions – which were evident in the first compromise of the task team, on the core issue of concessioning (Naledi,2014). Coal Link and Orex would have involved abandoning the policy juggernaut altogether, which the responsible officials were unable to do (Naledi,2014).
10. The breakdown of those meetings where the presentations demonstrated the unviability of the government plan, illustrated this (Satawu,2008).
11. However, while the officials directly involved in the Spoornet plan were unable to compromise, considered more broadly, government showed it can assimilate the evidence and change its position (Satawu,2008).
12. Other officials and ministerial advisors in DPE came to recognise the disastrous implications of the plan for the GFB, for its new black management, and for broader development issues (Satawu,2008).
13. The department of Transport – which unlike DPE was focused on the implications of restructuring – had always been external to the policy juggernaut and was empowered by the process of labour- government engagement to make its concerns felt (Satawu,2008).
14. The process of engagement took a highly technical form and was played out in small meeting rooms far from the sites of trade union organisation (Naledi,2014).
15. The context of a relatively strong, organised, and assertive trade union movement was critical in shaping the balance of forces (Naledi,2014).

16. The NFA, which defined the procedures of engagement, was itself the product of a mass strike by railway workers. COSATU and SATAWU, on-going campaign against privatisation described above contributed to Government's willingness to engage. (Naledi,2014)
17. The unity of the trade unions across racial and occupational divisions was also clearly important. Likewise, high-profile intervention by the trade unions in public debate was an important factor in creating the conditions for engagement (Naledi,2014).
18. The technical and intensive nature of the process placed difficult demands on the trade unions (Naledi,2014). They had to dedicate sufficient staff time and secure the support and expertise of labour advisers from NALEDI, to actively participate and refine their views during an eight-month period (Naledi,2014). This was particularly true of the new information and of the process of interaction itself (Naledi,2014)
19. At a technical level, the participation of Spoornet management in the process was indispensable, as neither government nor labour had the kind of information, experience and expertise that was necessary for evaluating various restructuring options. (Naledi, 2014)
20. Alliance building was also important. In the first-place alliance between the three trade unions strengthened labour's hand (Naledi,2014). Divisions within the state – between DPE itself – were important factors in strengthening labour's case and undermining the privatisation policy juggernaut (Naledi,2014).
21. Finally, the process of engagement entailed an extremely difficult compromise. The trade-off for engaging with the issues of restructuring was that the trade unions had to accept that efficient operations would be necessary if Spoornet

was to be saved from privatisation, and this would mean accepting job losses. This was an extremely painful conclusion, but privatisation would have meant much greater and more rapid retrenchments of 17,000 workers (Naledi,2014).

22. It is important to note that the agreement did not mean that the trade unions accepted the figure of 8,000 job losses, which was a broad figure derived from the scenario projections (Naledi,2014)
23. During the phase of implementation their attention would turn to engaging with operational and efficiency improvements to save as many jobs as possible (Naledi,2014).
24. In addition, the agreement provides for a job loss mitigation task team to investigate creative ways of reducing job loss and creating new avenues for employment (Naledi,2014). Without these four elements – assertive mass organisation, the dedication of time and expertise to the process, trade union unity and division within the state, and the willingness to consider compromises – the trade unions could not have succeeded as they did. In any event, they are justified in claiming that they saved government from itself by successfully and vigorously resisting the privatisation of Spoornet (Naledi, 2014) (These observations were derived from Naledi's documents on the restructuring and privatisation of Spoornet)

    Important questions arose from the trade union success story of resisting the complete privatisation of the railway SOE. These questions are critical for any future trade union engagement with government on issues of SOE privatisation and restructuring in South Africa and the world. Important questions are also raised by this Spoornet resistance to restructuring and privatisation (Naledi,2014). These are:

1. Can this sort of engagement be replaced, or
2. Was it a unique outcome produced by the surprise factor as the process ran beyond government control, and by divisions within government? (Naledi,2014).
3. Will the agents of the privatisation juggernaut in future prove more impervious to labour interventions? (Naledi,2014).
4. Can the same unions, with experience resist ports operations privatisation?
5. Can government be intimidated by organised labour with better ideas on how to prevent privatisation? (Naledi,2014).
6. Can the successful trade union resistance story be replicated to all SOEs?
7. What will be the role of Trade Union research Institutes like NALEDI?
8. Are railways concessions viable for a country from an employee downsizing perspective? (Naledi,2014).

8.3. Key conclusions

8.3.1. Rationale of restructuring and privatization of SOEs

When it comes to the rationale of restructuring and privatization, it is evident through the study that government, through the implementation of restructuring and downsizing SOEs, overlooked the implications of the program for employees. SOEs in South Africa have a major problem of many competing goals which impact negatively on the achievement of their vision and mission. SOEs are expected to fulfil developmental goals of a country while their commercial objectives suffer and losing revenues consequently. SOEs fail to meet the legal reporting obligations laid down by the law. The other challenge relates to widespread duplication of regulations and rules

of operations which cause financial wastage. Remuneration and incentives of board members and senior managers are also very contentious issues in SOEs. Through a restructuring turn-around program Spoornet hoped to restore higher operational efficiency levels, greater effectiveness ratios, better productivity, and higher profitability grids and lastly, a clean balance sheet. The rationale for reforming the railways, arises from the search for answers to a plethora of problems they confront. Varied reasons for railway restructuring in many countries are that:

- Railways are expensive to operate.
- Poor institutional and legal arrangements in the railway sector.
- Railways market share loss to air and road freight.
- The willingness by many governments, to keep railways under public ownership. (UN,2003).

These railway reforms, normally called ’railway restructuring’, involve the creation of new organizations; revised accounting methods; liberalization though the introduction of competition; privatization, de-monopolization, and regulatory reform (UN,2003). Spoornet aimed to achieve the above goals despite the implications the process had on labour. Railway privatisation and restructuring goals include creation of:

- Clear demarcations of responsibilities between departments of government and railway SOEs.
- Executive leadership teams that operate railway SOEs commercially are all as business units or private companies.
- A neoliberal corporate culture that is market-led.
- Financially sustainable railway SOEs.

- The achievement of business-related functions which produce revenues and increase productivity. (UN,2003).

Governments across the world decide to restructure SOEs through privatization because of large-scale evidence of inefficiency, ineffectiveness lack of productivity, lack of profitability and absence of competitiveness, in their operations (Parker, 2021). There are many ways of funding the SOEs,

Table 8.1: Sources of SOE funding

Possible sources of SOC financing.	**Options for self-financing of state-owned companies**	
Self-financing	**Basic self-financing capacity**	**State 'enhancements'**
	Revenue from provision of goods or services	Allowing higher fees or tariffs
		Lower dividend requirements
		Tax exemptions
	Debt financing from loans or bonds	Debt guarantees
	Selling shares to private investors	Allow funds to accrue to SOC(equivalent to the equity ejection)
Direct state financing	Equity injection/cash transfer [equivalent if state owns 100%] Transfers/incentives for specific activities Provision of loan financing	

(Authors Compilation)

Spoornet has experienced the above problems since the 1980s and early 1990s up to the present, like most SOEs in South Africa. SOEs beginning in the 1980s became unresponsive to the needs of clients and experienced poor operational performance and drained finances of most governments, hence the reform (Parker, 2021). Restructuring through privatization assumes various forms, including, outright sale of assets to private owner's public private partnerships, contracting out and franchises (Parker, 2021). The South African government was convinced that implementing restructuring and privatisation reforms in SOEs would ameliorate the challenges of operational efficiency and effectiveness. At Transnet, which is the holding company in charge of Spoornet, the government of South Africa, executive management, and

labour, embarked on restructuring and privatisation discussions over a long period. Employee trade unions fought and resisted these reforms although the government was convinced that these reforms would help in improving the performance of these SOEs. Cosatu and Satawu opposed these reforms because of their employee downsizing implications in the organisation. At Spoornet, restructuring and privatisation automatically involved the engagement and involvement of private sector. Institutional arrangements for private participation in railway activities are depicted below:

Table 8.2: Private sector participation in railway activities

Institutional Arrangement	
1. Government departments and State Enterprises	Many railways have been owned by ministries and managed by them.
2. Unbundling and decentralization	Private participation is induced by separating or unbundling rail activities
3. Service contracts	Even when owned by government, a railway can contract our any activity to the private sector
4. Management Contracts	These are technical operations and maintenance in nature
5. Leasing to the Private Sector	A contractor pays a fee for using a fixed asset
6. Leasing from the Private Sector	A Private company buys equipment and leases it to the railway
7. Concessions	Contractor makes fixed investment and retains use of assets for a longtime
8. Joint Ventures	Private partner contributes the development capital for rail assets
9. Private Ownership	This may include franchises to privately owned operators

Source: UN (2003).

Restructuring and privatization reforms assume different forms, namely, outright sale of assets to private owner, public private partnerships, contracting out and franchises, concessions, and leases. (Parker, 2021). Private owners normally come with their own employees, and they cannot maintain the ones they find in the restructuring organisation. it can be concluded that most restructuring and privatisations are motivated by the need to improve operational performance and cutting budgetary expenditure, thus reducing over-reliance on government bailouts. In 1994, the ANC-led government was beset with high levels of poverty, inequality, high levels of

illiteracy, unemployment, and other legacies of colonial apartheid rule (PRC, 2013). The features left behind by the apartheid government to SOEs were:

- Poor and outdated management practices,
- Old and aging infrastructural structures,
- Duplication, waste, and fragmentation,
- Absence of an outline of state assets and financially sincere balance sheets,
- Demotivated stuff and conflict in labour relations
- Absence of control systems, accountability, and transparency (PRC, 2013)

In 1994, the ANC-led government pursued Reconstruction and Development Program (RDP) which emphasized the need to pursue restructuring and privatisation for purposes of securing funding for RDP projects of government in South Africa. The objective of the RDP was to develop the economy of South Africa in a democratic and transparent way as opposed to what happened during decades of colonialism (Fourie, 2001). As a macroeconomic strategy, RDP was focused on socio-economic development and economic growth and redistribution of wealth from a Marxist-Socialist ideology which Cosatu and its affiliates believed in during the 1980s. Transformation of the economy and wealth redistribution were at the core of the RDP efforts (Fourie ,2001) hence the need to undertake SOE restructuring and privatisation in South Africa. Some scholars such as Ennser-Jedenastik (2014) argue that there are many disadvantages in the SOEs system. Agesa (2000) states that SOEs are susceptible to corruption. Besides patronage and nepotism, it is relatively easy for SOEs to procure services and goods without using proper tender channels (Zvavahera and Ndoda, 2014). In addition, the incentive for procuring value-for money goods and services is lessened because SOEs know they can rely on government bailouts.

The government asserted that the purpose for restructuring and privatisation was to adjust the economy by pursuing the following techniques:

- **Effective use of productive factors** whereby the utilization thereof be limited for public sector utilization and maximised for the private sector.
- **The optional functioning of market forces** to secure the provision of as many services and products as possible to the private sector since the public sector is not subject to the same demand and supply forces of the market.
- **Increasing the percentage of net fixed in the private sector** to reverse the unbalanced investment between state and capital (SA Government, 1997).

The following methods of restructuring and privatisation were proposed:

- Sale of public sector enterprises and assets to relieve the state of its “liability”;
- The formation of partnerships within SOE’s between the state and private sector.
- Leasing of business rights to the private sector on an interim or permanent arrangement to conduct a business for its own account.
- Contracting out of public services or activities on the state’s behalf, where the private sector can execute it just as well, or more efficiently and economically.
- Discontinuation of services or activities if the strategic importance thereof might lapse (SA Government, 1987).

The government of the day articulated its guidelines for the implementation of the privatisation process as articulated below:

- To make SOE's more profitable and efficient to obtain the best results from privatisation.
- To avoid possible monopolies and foreign control.
- The privatisation to become a process that forms part of the total economic strategy of SA:
- Privatisation to become a perpetual process in terms of existing and contemplated future public sector activities.
- Funds generated by means of privatisation to be used for capital development projects (SA Government, 1987).

Government and organised business applauded privatisation as a positive move towards the disengagement of the state from capital increased private ownership, competition, and a free-market system. Privatisation created forceful opposition from Labour and the Left. Supported by the United Democratic Front (UDF), and in the absence of formerly banned ANC and the SACP, COSATU led the anti-privatisation campaign. COSATU rejected privatisation, on the basis that public sector monopolies will become private sector monopolies, which will presumably retrench workers to increase profits.

SOEs are criticized for their poor performance compared with the private sectors. These results in most of the population who can afford private services and goods choosing them over the SOEs (Kim and Chung, 2007).

Kim and Chung (2007) argue that SOE managers tend to be more interested in trying to maximize their own prestige, resources under their control as well as power. The prevalence of patronage and nepotism at management level can result in low staff

morale. This leads to workers not being motivated to work, resulting in poor productivity. This is often because they do not have control or there are no incentive measures in place to try and combat this weakness (Kim and Chung, 2007). As a result, the call for reform in the public sector. However, Nellis and Birdsall (2005) point out that ad hoc privatization brings about services delivery failure. In some instances, it leads to the creation of uncompetitive monopolies in the market (Pettinger, 2011). Once the private sector can create a monopoly, it has the power to increase user fees and charges (Pettinge, 2011). For example, the privatization of health services in developing countries has led to an increase in user fees charges, which make health services unaffordable for most of the population (Pettinger, 2011). To make more profits, private companies often downsize staff, and resulting in unemployment.

The National Framework Agreement (NFA) (GNU, 1996a: 14) defines the objectives of restructuring and privatisation more specifically:

- Facilitate economic growth through, e.g., greater efficiency and increased competition.
- Fund the RDP through, e.g., privatisation and the mobilisation of private sector capital.
- Reduce state debt using proceeds of restructuring and privatisation.
- Enhance competitiveness of SOE's to access global resources and markets, particularly in Southern Africa; and the use of less loan or subsidy funding of SOE's (GNU, 1996)

The privatization of successful SOEs results in the of loss government revenue because government is no longer entitled to profits and dividends of the entity

(Pettinger, 2011). Furthermore, in some cases privatization led to the fragmentation of industries whereby one large entity breaks up into smaller companies which may weaken overall accountability issues (Pettinger, 2011). Privatization also results in increased foreign ownership, resulting in profits and dividends being earned by foreigners which was not reinvested in the local economy. Not only do user fees become more expensive but profits generated leave the country (World Bank Group, 2014).

All these factors as well as the global financial crisis of 2007-2008 bought about economic turmoil within the capital markets thus reducing investor confidence (World Bank Group, 2014). This in turn pushed governments around the world to focus on rather improving the performance of SOEs as opposed to outright privatization (World Bank Group, 2014). A move from state to private ownership alone does not automatically yield economic gains. Rather, several factors have been found to influence the success of restructuring and privatization, namely:

- When firms are privatized; there can be a positive (or negative) selection effect.
- Whether privatization is total or partial; evidence suggests that the former is more beneficial.
- The regulatory framework, which in turn depends on the institutional and political environment.
- The characteristics of the new owners; foreign ownership has been associated with superior business performance post-privatization, especially relative to “insider” ownership (privatization to managers and workers).

- Effective competition. This has been found to be critical in bringing about improvements in company performance because it is associated with lower costs, lower prices, and higher operating efficiency. (The World Bank, 2018).

There are distributional implications for restructuring and privatizations in relation to ownership. As Megginson (2000) notes, in countries that have privatized through asset sales, the process has frequently been non-transparent and plagued by insider dealing and corruption. In Russia, the “loans for shares” programs enabled well-connected financiers to obtain controlling stakes in the country’s most valuable firms for a price well below their true value (Megginson 2000).Moreover, the distributional implication of voucher privatizations has also been disappointing; in Russia and the Czech Republic as the returns on the vouchers were much lower than anticipated, and very small in comparison to what a few well-connected groups of people obtained in the privatization process(The World Bank, 2018). Restructuring and privatization can also affect the distribution of income through its implication of employment (The World Bank, 2018). Public enterprises tend to be overstaffed prior to privatization.

Table 8.3: Summary of Distributional Impacts of Privatization (Spillovers)

Distributional impact	**Progressive effect**	**Regressive effect**
Ownership	If the sale is conducted in a transparent way, with a wide distribution of vouchers with positive returns.	If the asset is under-priced and rewards political cronyism. If sale is not transparent.
Employment	If newly privatized firms become more efficient and dynamic, total employment might recover after the initial restructuring phase.	The restructuring and consequent disproportionate layoff of specific categories of worker.
Prices	Privatization can lead to a fall in prices if it is accompanied by increased competition. In addition, if private management leads to efficiency gains some of the	Prices may increase if they were previously below cost-recovery level.

	savings can passed on to consumers	
Access	Access may increase if the privatized business is expanded through investments.	If the private owner decreases its engagement in specific market segments that are beneficial to the poor. In addition, poorer consumers can see their access reduced if privatization is accompanied by the end of illegal water and electricity connections
Fiscals	If it leads to increased access by the poor to government services funded by new tax flows.	Privatization may affect real income (net of taxes) if it reduces the tax burden differentially across households. Privatization transfers control rights to private interests and eliminate public subsidies, benefiting taxpayers but reducing consumers surplus if costs are increased.

Source: The World Bank (2018).

Private ownership can lead to restructuring and, consequently, disproportionate redundancies for specific categories of workers; for instance, low- skilled. The study by Chong and Lopez-de-Silanes (2002) based on a survey of 308 privatized firms (covering 84 countries) over the period 1982 to 2000 showed that employment was reduced in 78% of them post-privatization, likely worsening income distribution (Birdsall and Nellis 2003). The RPI involves the transfer of productive assets from state to private hands. Such transfers are, by their very nature, politically sensitive and subject to potential corruption and abuse (The World Bank, 2018). It is assumed that the primary purpose of privatization is to enhance economic growth. First, policymakers need to examine and establish the preconditions for success, in terms of the business environment for competition, governance, and entry (The World Bank, 2018). The evidence suggests that restructuring and privatization have greater benefits from firm performance in stronger business environments because the success of the process relies on effective corporate governance of the privatized entity,

as well as effective market competition (The World Bank, 2018). Key issues at the national and sectoral level include:

- Depth and liquidity of the capital market (particularly important for privatization via IPO)
- Barriers to new domestic firm entry (formal entry costs, bureaucratic costs, possibilities for incumbents to restrict entry using political relationships).
- Quality of the legal system concerning corporate governance, for example company accounting procedures, rules on minority shareholders, etc.
- Quality of business support, for example, legal firms, accounting firms, management consultants, recruitment firms.
- Openness to foreign direct investment, both via acquisitions (via privatization) or via green field (to create a competition), and access to foreign portfolio capital.
- Depth and competitiveness of managerial market (pool of qualified managers).
- Strength and effectiveness of competition, and competition agency.
- Independence of anti-monopoly agency from state. (The World Bank, 2018).

The quality and independence of the state's administrative apparatus is particularly important. An RPI makes considerable demands on the capability of the state, both ensuring that the process is not captured by local elites and managing the relationship between the government and the firm at arms-length post-privatization, for example, via regulation. Successful privatization requires a competent government with low levels of corruption. (The World Bank, 2018). Turning to the privatization process itself, there is strong evidence that openness of bidding to all, including foreign firms, is a

key factor of success. (The World Bank, 2018). Policymakers also need to determine the appropriate privatization methods. Related to this, the pricing of the assets from public to private hands, and likely impact on the distribution of income and wealth (The World Bank, 2018). The chosen method depends in part on the pre-conditions noted above. Countries with poorly developed capital markets are unlikely to be able to privatize through IPOs (The World Bank, 2018). The main methods of privatization, listed based on the evidence of the literature in the order of likely favourable impact on economic growth and developments are as follows:

- Sale to high-quality foreign firms.
- Sale on domestic capital market via IPO.
- Sales to domestic businesses or business groups (trade sale).
- Sale to existing managers and/ or workers.
- Free distribution of shares to the population (mass privatization). (The World Bank, 2018).

There are obvious trade-offs. Free distribution ensures equality in the allocation of assets around the population but is likely to lead to weak corporate governance. Selling to foreign owners, with appropriate safeguards, can raise company efficiency but may lead to job losses. A Restructuring and Privatisation Initiative (RPI) seeks to improve company efficiency via corporate governance. However, as we have seen, several side-effects may impact other key policy targets and there need to be considered in advance (The World Bank, 2018). Higher efficiency/profitability may be obtained through lower levels of employment, lower wages, reduced public service provision and higher product prices, with negative distributional and social effects. RPI produces competition Side Effects especially if the government is concerned with selling to foreigners and/ or maximizing revenues. Competition effects may be negative

and serious. There are global Implications. Selling key assets such as banks or resource companies to foreign firms may restrict the range of domestic policy and hinder long-term development. (The World Bank, 2018). From a broader or wider perspective there are political implications. Selling assets to elites may concentrate political power and economic wealth in fewer hands (The World Bank, 2018). RPIs have implications for the distribution of Income. An enhanced focus on the profitability of firms may lead to increased prices of important products for poor households, as well as reduced pay, worse employment conditions, and fewer job prospects (The World Bank, 2018). RPIs also have implications on fiscal balance. In principle, this should be unchanged because if the asset is priced correctly, the price should reflect the future expected earnings from the company (The World Bank, 2018). In practice, pricing may be set low to achieve distributional targets or to support elites and friends. This would worsen the government's balance sheet. At the same time, the new owners may be more productive than the state, and hence may raise activity and profits, with a positive effect on the GDP and government revenues. (The World Bank, 2018). The South African government considered the following forms of restructuring:

- Concessions (BOT)
- Strategic Equity Partner (SEP)
- Strategic Management Partner (SMP)
- Public Private Partnership (PPP)
- Privatisation (Full or Partial)
- Securitisation
- Equity Linked Products (Convertibles)
- Floatation of SOEs (Initial and Secondary)
- Turnaround Strategies

(GFFE, 2005).

Having gone through most documents which explained the rationale for undertaking the RPIs or the South African Restructuring Privatisation Reforms (SARPR)s it became clear that these reforms are concretely linked to the writings of John Williamson, the author of the original Washington Consensus doctrine, which has the following ten policy actions which were prescribed to all Latin American states:

- A budget deficit should be small enough to be financed without recourse to inflation tax.
- Public expenditure should be redirected.
- Tax reform.
- Financial liberalization.
- A unified exchange rates.
- Quantitative trade restrictions replacement by tariffs.
- Abolition of barriers to FDI.
- Privatization of SOEs.
- Deregulation &Competition.
- Secured Property Rights (Williamson,2005).

The above is a set of policy reforms prescribed to Latin American states when they faced problems of repressive state regulation, failing SOEs and lack of fiscal discipline which accounted for the existence of many failed states prior 1989. A glance at the above policy reforms, indicate immediately their resemblance to all the characteristic

of the South African restructuring and privatisation reforms (SARPR)s in SOEs. The political context of Latin America that time is not the same as South Africa now, hence the need for a different policy regime.

Most African countries have adopted these policy reforms as they were marketed by the WB/IMF to all countries who received IMF/WB loans. The above policy reforms were used as a basis for the conditionalities of IMF/WB for loan acquisition. The emphasis is on liberalisation which recommends a shift away from large inefficient SOEs, much repressive state regulation of private businesses to an ideological belief in minimal state or less state involvement in the economy. The above reforms formed the basis of neo-liberalism which today is called Washington Consensus (the term Washington Consensus was originally used to describe a list of ten reforms that were universally agreed to in Washington to be desirable in most Latin American countries as of 1989, as postulated by John Williamson, (Williamson, 2005)). Thus, in a more direct manner, the South African government adopted neo-liberal policy reforms in conformity with these policy reforms. Thus, most RPIs are influenced by the global policy reforms irrespective of the local context. The important question to ask the government relates to the attainment of the goals of privatisation and restructuring have the following main objectives:

- Better management
- Increased efficiency, effectiveness, and productivity
- Extra government revenues
- Development of financial markets
- Wider share ownership

- Employee involvement
- Winning votes
- Depoliticising contentious issues in terms of allocation of scarce resources
- Political prestige.

Basically, it has been argued that most of these objectives have not been achieved because of institutional and systemic corruption of government officials. According to the 1987 White Paper on Privatisation and Deregulation, the public sector has problems as far as efficiency, effectiveness productivity and profitability are concerned. According to the White Paper on Privatisation, privatisation means the systematic transfer of appropriate functions, activities, or property from the public to the private sector, where services, production and consumption can be regulated more efficiently by the market and price mechanisms. This process forms part of a strategy whereby

- firstly, the public sector's involvement in the economy can be limited or reduced so that more capital, means of production and opportunities can be made available to the private sector, and
- secondly, the private sector is given the opportunity to develop and grow optimally and with minimum state intervention and regulation (White Paper,1987)

The White Paper on privatisation and deregulation in South Africa identified the same objectives as the post -apartheid government. Thus, it must be noted that RPIs emanate from the colonial apartheid government policies as well. It is also very interesting why the colonial apartheid would want to sell most of its income generating businesses.

8.3.2. Implications of restructuring and privatization of SOEs on employees

When it comes to the implications of restructuring and privatization, it is evident through the study that employee downsizing took place at Spoornet propelled by various factors during the restructuring and privatization epoch. Efficiency measures mooted by the stakeholders in the restructuring initiative engagement and competition posed by road haulage culminated in employee downsizing. SOEs normally do this to cut expenditure on their operations. From 1996 to 2008, the trajectory of employee downsizing continued with many workers losing their jobs. The language of “Efficiency Measures” is commonly used in the implementation of all the restructuring programmes. Usually, it is intertwined with “Turn Around” initiatives. The underlying assumption is that SOEs are inefficient and ineffective under government control therefore some efficient practices must be implemented to turn around the organization and rescue it from an inefficient way of operation and financial dependency on government. When these measures were implemented at Spoornet the SOE had to cut its operational expenditure by resorting to employee reduction or employee downsizing hence whether it was retrenchments or layoff or severance packages which occurred during that epoch the fact remains that worker numbers were downsized.

Leaders of trade unions in Spoornet met with ex- Minister Radebe and Omar to discuss the future structure and ownership of Spoornet in March 2001. The Ministers indicated that they were open to further discussions about the divergence of view on the future

of Spoornet. The meeting resolved to create a Task Team to investigate options. It was agreed that the Task Team would comprise of representatives of the three trade unions recognized by Spoornet (Sal staff, SATAWU and UTATU), and officials of the National Department of Transport (NDT) and Department of Public Enterprises (DPE).

The Task Team co-opted Spoornet leadership and created a Technical Working Group (TWG) that reviewed the restructuring options for Spoornet. TWG developed recommendations on to the restructuring. Government and railway unions reached an agreement on the recommendations of the restructuring Task Team which concluded the final model for the Spoornet Restructuring.

The principal features of the Spoornet Restructuring Model were as follows:

1. General Freight Business (GFB) and Coal remained part of an integrated (Spoornet – SATAWU) rail freight operation, and the reporting structure of Orex to Spoornet remained unchanged. The parties agreed to have further engagement on the future restructuring of Orex.
2. The parties agreed that consideration be given to combining Shosholoza Meyl, Metro Rails & South African Rail Commuter Corporation (SARCC) in one state-owned subsidized passenger operation.
3. The parties agreed that Lux rail is a non-strategic operation that is first and foremost a luxury hotel operation, and therefore be concessioned to a private operator in the hospitality sector.
4. The parties agreed that consideration be given to establishing a two-tier system of management for the low-density lines. The challenges associated with these lines require maximum local consultation of stakeholders, and possibly a

decentralized form of management. To this end, parties agreed to establish a Task Team comprising of representatives of labour. Spoornet management and Government to investigate the status of low-density lines, to ascertain the viability of a two-tier operation and management structure for high- and low-density rail lines.

5. The parties supported the option for an extended network size of 15 800km that would include a selection of light density lines, with expanded volumes up to 2020. To ensure the viability of this network, the current efficiencies and productivity should be improved to the required levels and be supported by the required level of investment.
6. To deliver improved rail freight services to the country, it was agreed that a range of turnaround strategies and projects be implemented by Spoornet Management. Government, being the shareholder, should hold Spoornet accountable for delivering on agreed service improvements.
7. The parties agreed that a mechanism be put in place to audit and evaluate the implementation of efficiency measures, within Spoornet, including initiatives to increase volumes.
8. Based on the agreed model, it was projected that approximately 8000 employer induced retrenchments occur in the period ending 2006. This was substantially less than those envisaged in the original plan. The parties agreed to establish a task team comprised of labour, Spoornet Management and Government to identify innovative ways to mitigate job losses at Spoornet by identifying alternative employment and income generating activities for retrenched workers.

9. The parties agreed that the National Department of Transport develop policies and policy instruments that help support the movement of freight by rail where appropriate.

Given the foregoing, it can be noted that restructuring principle number seven and eight had implications for employees. Efficient measures and turn-around strategies implied severe retrenchments and employee reductions at Spoornet even if the., numbers envisaged earlier were higher than the figures above Trade Unions were involved in the formulation of the restructuring strategy at Spoornet even if they opposed it because of the implication it had for their members. The restructuring and privatization initiative at Spoornet involved trade union, government, and Spoornet officials in the determination of the strategies. Trade union participation ensured that the implications were known to the Labour organization. Thus, understanding their predicament, unions influenced massive strikes and resistance to the restructuring and privatization trajectory of Spoornet. While the restructuring and privatization initiatives generate money for SOEs and reduce excessive reliance on national government funds, they impact the unemployment ratios by increasing it hence subjecting the retrenched employees to poverty. For South Africa, these programmes of government are self-defeating because while the government preaches about the triple challenges of poverty, unemployment, and inequality on the other hand, it is a participant in creating and worsening of these challenges. Retrenched employees normally become unemployed for some time or forever, therefore, the government of South Africa must have a re-think of its macro-economic and sectoral policies as far as SOEs are concerned. Eight key lessons of privatisation and restructuring of SOEs identified by the World Bank are shown by the Fig. 8.1 below.

Fig. 8.1: The eight key lessons of privatisation

1. Privatisation works best when it is part of a larger programme of reforms promoting efficiency.
2. Regulation is critical to the successful privatisation of monopolies - there must be a well-developed, well-administered regulatory framework.
3. Countries can benefit from privatising management without privatising the ownership of assets - this can involve management contracts, leases, and concessions, particularly in sectors where it is difficult to attract private investors.
4. The sale of large enterprises requires considerable preparation - this entails breaking them into marketable units, setting past liabilities and shedding excess labour.
5. Transparency is critical to success - the consequences must not be too harmful to the public or this can result in political backlash.
6. Governments must pay special attention to developing a social safety net - to ease the social costs there must be generous severance packages, employee ownership schemes, unemployment benefits and retraining programmes.
7. The formerly socialist economies should privatise in all possible ways that encourage competition, and they should experiment with all available methods.
8. In changing the public-private mix in any type of economy, privatisation will sometimes be less important than the emergence of new private business.

Source: World Bank (2015).

It is argued that one of the key lessons to be learned is that privatisation is not an end and where it is regarded as such, it often fails, either because supporting structures have not been put in place, or because it leads to insurmountable opposition from various interests (I.L.O., 2014). Most importantly, for privatisation to be successful for the new owners of enterprises, for workers in the enterprises and for consumers buying the products of the enterprises - privatisation should be seen as part of a medium-term policy and a logical component of a set well-defined long-term policies, which includes development of a healthy private sector with well-functioning goods, capital and labour markets in a system of widely respected democratic control (I.L.O., 2014). It has also been argued that one of the most important lessons to learn from countries that have undertaken privatisation, is that when it is combined with thorough reforms, both within the enterprise and in its policy environment, it has produced substantial positive results (I.L.O., 2014). Finally, it is believed that the establishment of proper social security programmes, income maintenance measures and social safety nets, as well as training, placement, and other labour market programmes, are becoming an essential part of the process of privatisation. However, workers' fears of privatisation can be acknowledged by proper government policies. Management, too, must make all possible effort to consult workers and alleviate unjustified fears (I.L.O., 2014).

Restructuring and privatisation have significant implications for employees in terms of labour flexibility. It is argued that labour laws are reformed to ease labour adjustment and increase labour flexibility after privatisation, but at the same time, there is a tendency to move away from regular employment towards the use of temporary,

casual and contract labour (I.L.O., 2014). Moreover, enterprises have shifted to the use of more flexible forms of Labour Relations, in part to enable them to adjust more quickly and without cost to fluctuating demand for their products, in part to reduce their fixed labour costs and in part to respond to increasing technological options. For workers this trend usually implies less employment security though the level of wages is sometimes higher than with regular jobs (I.L.O., 2014).

It is also argued that during privatisation employers put recruited workers on so called civil contracts, which give no security of employment and from which workers can be released either without notice or with less than the normal notice and severance pay. Employers are not obliged to pay social contributions for civil contract labour, and because of these workers are not entitled to unemployment compensation if they lose their jobs. They also argue that the growing use of non-regular forms of employment raises the issue of what safeguards should be put in place to ensure that the benefits of having flexible labour relations are not coupled with a general deterioration in wages, benefits, and working conditions. (I.L.O., 2014). Implementing Efficiency measures in railways to improve efficiency, effectiveness, profitability, competitiveness, and productivity, normally would involve the following characteristics.

i. Rationalisation of staff through retrenchment, natural attrition or voluntary resignation, so that less regular employees can complete a similar amount of work,

ii. Reducing wage/salary costs per employee and/or lower fringe benefit costs (pension, leave, bonus, car allowances, housing loans, medical aid, study leave, etc.)

iii. Reorganisation of workload and/or departmental responsibilities and

iv. hiring of new staff at relatively lower salary levels and pay packages.

v. Altering the daily, weekly or monthly work rhythm to obtain a greater labour input per employee (e.g., lengthen work hours, increase unpaid overtime, shorten tea breaks, tighten controls of work performance, reduce meeting times or size of departmental contingents at inter-institutional meetings, etc.) (ILO,2018)

In its implementation of Efficiency measures and because of road haulage deregulation Spoornet experienced most of the above challenges, hence employee downsizing. Rationalisation of staff takes the form of retrenchment and voluntary resignations. It should be noted that job redesigning, alterations of job descriptions, job redesign schemes, motivation schemes and job enrichment programmes are all part of changes that take place during restructuring of a state-owned enterprise. (ILO.2018).

Political support for privatisation is greatest if it is seen as part of a wider process of increasing human concerns and participation in the society and as a part of a democratic process of deciding whether the state should subsidize loss-making enterprises or invest more in other sectors of the economy which would benefit a greater part of the population and such considerations can be part of a nationwide dialogue on new development management direction (I.L.O., 2018)

8.3.3. Employee labour trade union response to restructuring and privatisation of State-Owned Enterprises

As far as trade union response to restructuring and privatisation is concerned, it is evident through the study that Cosatu and Satawu opposed the implementation of

restructuring and privatization because of the employee downsizing implications. As discussed earlier, employee trade union response, has been divided into the Cosatu response to restructuring and privatisation of South African State-Owned Enterprises (SOE)s and Satawu resistance to the restructuring and privatisation of SOEs with specific reference to Spoornet. Thus, this section begins with the Cosatu and then the Satawu response.

8.3.4. Confederation of South Africa Trade Unions (Cosatu) Response to the Restructuring and Privatisation of State-Owned Enterprises (SOEs)

Cosatu's response to restructuring and privatisation of SOEs has been a difficult one because of its position in the governing Tripartite Alliance. Its partnership with Alliance partners compromised its decisions. However, the received strenuous pressure from affiliate unions like Satawu. Cosatu entered into the National Framework Agreement (NFA) with the Government of National Unity (GNU) which promulgated the RDP as a macro-economic instrument which embraced the restructuring and privatisation of SOEs to raise funds for the RDP project. By signing into the NFA, Cosatu indicated that it had accepted the government's restructuring and privatisation reform initiative. Again, by accepting the Growth, Employment and Redistribution policy of the second Republic, Cosatu agreed to the wholesale restructuring and privatisation of SOEs by implication although its affiliates sharply objected to it. Cosatu, however, mobilised against the restructuring and privatisation initiatives because of the downsizing implication for employees of SOEs such as Spoornet. Although, Cosatu would be present in these policy agreement initiatives, it mobilised employee resistance to them. In concert with Satawu and other unions, Cosatu opposed the wholesale privatisation

of Spoornet because it viewed Spoornet as a public asset, that must stay in the hands of government, hence it influenced the drafting of the Spoornet Reconstruction Document which prevented Spoornet from being sold completely to private interests. Cosatu accepted the Freedom Charter as its policy document. Surprisingly, the Freedom Charter speaks of nationalisation instead of privatisation. There was a remarkable mind-set shift in the thinking of Cosatu as far as government policy was concerned. Unions oppose restructuring and privatisation from various assumptions and ideological perspectives.

- Unions are concerned about the socio-economic impact of restructuring and privatisation, since it might lead to numerous cases of retrenchment and job loss (The Star, 23/5/96). Mdlalose, President of the National Council of Trade Unions (NACTU), warned that the restructuring and privatisation process would have a serious impact on the already high level of unemployment: ‘’Thousands of workers, possibly even millions, will lose their jobs, and this will add to the level of crime’’ (City Press, 10/12/95).
- Unions generally fear the loss of social security benefits, such as pension/providence fund, medical aid, and other related benefits as part of any workplace restructuring/privatisation programme (Madlala, 1995:12).
- The government’s commitment to Black economic empowerment is considered by the unions as merely a myth, since the goals of the RDP will be defeated, as privatisation will only benefit a new Black elite, while the delivery of essential services will be fundamentally undermined (City Press, 10/12/95; Business Day, 5/1/96; Sunday Times, 5/5/96). Further, Shilowa, COSATU’s secretary general, unambiguously reiterated the views of COSATU on Black

entrepreneurs favouring privatisation: ‘’In the name of black economic empowerment, they [Black entrepreneurs] wish to steal public resources and put them in the hands of a few black individuals.’’ (Financial Mail, 22/12/95: 11)

- Likewise, some unions, e.g., the National Education, Health, and Allied Workers’ Union (NEHAWU) expressed fears that privatisation will create a powerful Black elite that will oppose communism and socialism (The Star, 2/1/96).
- Privatisation is viewed by unions as a tactic of government to shed its social responsibility role. NEHAWU shows concern that privatisation will shift the cost of the provision of services away from government funding on to the consumer and consequently the creation of a marketplace for services where essential services will be profit driven. The net result would be that the poor are deprived of subsidised services (The Star, 2/1/96) In this regard COSATU (The Star Business Report, 24/5/96) reiterated:

‘’We think privatisation will not assist significantly in achieving a better life for all… If the state’s welfare and service functions are privatised, the government’s programmes for water, electricity and health delivery will inevitably fail. Only the wealthy will be able to afford basic services, and this will inevitably fail. Only the wealthy will be able to afford the basic services, and this will undoubtedly spell disaster for our future.’’

Restructuring and privatisation are perceived to weaken the collective bargaining power of trade unions and diminish its authority in the public sector (Business Day, 1/4/96), and invite foreign companies, who are known as “Union bashers”, to buy privatised companies (Madlala, 1995: 12).

COSATU declares that privatisation will result in domination by multi-national corporations (MNC's) and the weakening of small and medium-size enterprises in SA. Shilowa (Business Day, 5/3/96) supports the view that, globally, a small group of MNC's are doing what was previously done by the public sector.

8.3.5. SATAWU response to the restructuring and privatisation of State-Owned Enterprises

Satawu objected to all government initiatives to restructure or privatize Spoornet hence its influence on the Reconstruction of Spoornet document. As an affiliate of Cosatu at the shop floor level Satawu members were subjected to employee downsizing because of the implementation of efficiency measures at Spoornet. They discussed this with the Spoornet restructuring working group called Technical Working Group (TWG) and conceptualized it in the restructuring strategy of Spoornet. The increase in competition by the road transport haulage for Spoornet, had a strong bearing on the operation of Spoornet, as most clients changed their preference of transportation. At the initial stages of the government initiative on the restructuring of TSOE, labour (Satawu, Sal staff, Utatu) vehemently rejected the ministerial proposal because of the alleged lack of transparency, and effective consultation with trade unions in the conceptualization and development of the restructuring and privatization strategy, the curve-up of the system, which labour believed would culminate in the diminishing of railway safety standards, precipitate novel inefficiencies and debilitate the financial virility and sustainability of proposed standalone general freight entity, and the proposal for employee downsizing (Barret, 2006).

Labour conceptualized input of their own which encompassed changes in the supervisory regime, increased investment in human resource development, dealing with racial conflicts at work and finally piloting employee participatory projects of efficiency (ICFTU, 2006). The main argument put forward by the trade unions in opposing the privatization of Spoornet was that private-sector operators would concentrate on profitable business, closing unprofitable lines and shedding unprofitable customers. The economically weaker provinces would be worst affected. This outcome would amount to the destruction of rail infrastructure and would increase road freight volumes, imposing significant additional costs on the state and on road users, both in the form of additional road infrastructure maintenance and in the form of other externalities such as traffic congestion and accidents, pollution, the balance of payments impact of increased petrol consumption, etc. The unions argued that the fundamental business strategy of Spoornet should be to expand volumes to take pressure off the road network, and to make optimal use of the rail infrastructure and assets to facilitate local and regional economic development. Internal cross-subsidization of unprofitable lines and customers should continue. The freight operations of Coal link and Orex, they argued, should remain integrated with (general freight) to continue taking advantage of operational and technological synergies.

8.4. Key recommendations

The key recommendations of the study included the following:

8.4.1. Rationale of restructuring and privatization of SOEs

It is essential to distinguish between restructuring and privatization initiatives in terms of their forms so that the rationale for embracing their implementation is easily understood. There are 3 basic forms of RPIs, namely political, fiscal, and economic. Visiting the original goals of the RPI of the government of South Africa is equally important. Restructuring is meant to address the economic, social, and political objectives of Government. The Ministry of Public Enterprises, which records the decisions arising from a Cabinet Bosberaad in January 1995, identified the objectives of restructuring as follows:

- To facilitate economic growth. "Restructuring should be used to increase competition and guard against monopolistic behaviour (MPE,1995)
- To fund the RDP *through carefully targeted expenditure on infrastructure; however, a situation of funding short-term current expenditure out of the liquidation of assets ... must be avoided (MPE,1995)
- To create wider ownership in the South African economy. "Restructuring provides an opportunity for widely dispersed ownership. Restructuring must redistribute wealth, boost the small and medium enterprise sector, have sustainable affirmative action implications, and facilitate genuine black economic empowerment (MPE,1995)
- To mobilise private sector capital "International firms operating in association with local companies bring to bear not only management expertise and technology but also their credit standing and ability to finance investment (MPE,1995).
- To reduce state debt "restructuring and privatisation proceeds may be used to reduce state debt (MPE,1995)

- To enhance the competitiveness of state enterprises. "Individual state enterprises should be positioned to access global resources and markets, particularly in Southern Africa (MPE,1995)
- To promote fair competition, "Fair competition at factor and product markets will promote new entrepreneurial activities and better economic performance in the country (MPE,1995)
- To finance growth and requirements for competitiveness ("there is an inescapable demand for new financing through different forms of domestic and foreign partnerships to promote the infusion of new equity capital and especially technology ... it should be emphasised that growing enterprises are essential to ensure job security for the employed and to generate new employment opportunities for the unemployed (MPE,1995)

Since the publication of the document cited above, there have been several further elaborations of these objectives, including the GEAR strategy and the 1996 National Framework Agreement. The governments restructuring initiative was motivated by the need to attain greater efficiency, effectiveness, investment and can be explained in terms of their impact on the firm, industry or sector, and broader economic impacts and social impacts as shown in table 8.4 below.

Table: 8.4: Economic and social impacts of SOE restructuring

Internal to the firm, industry, or sector	Broader economic impacts	Social impacts
Enhancing efficiency and effectiveness of state enterprises	Reducing the public sector borrowing requirement	Ensuring wider participation in the South African economy
Accessing globally competitive technology	Attracting foreign direct investment	Mitigating possible negative social impacts arising from restructuring
Creating effective market structures in the sectors currently dominated by state owned enterprises	Financing growth and the requirements for competitiveness	Promote sustainable employment, either directly or indirectly through improvement in the economy
Mobilising private sector and expertise		

(Source: MPE,2000)

Restructuring has been thought to be a measure to improve social and economic development and to enhance sectoral efficiency and effectiveness at industry level. The rationale for implementing RPIs in South Africa has been explained above. Spoornet had declining revenue due to competition from the road freight industry because of the 1987 deregulation and Privatisation policy (MPE,2002). Customers in the mining and agricultural sectors now preferred road haulage to Spoornet. Thus, for operations Transnet had to rely on government for bailouts (MPE,2002). Privatisation and restructuring were seen as a mechanism to ward off financial dependence on government (MPE,2002). RPIs are interpreted as a withdrawal of state power, authority, and responsibility from the provision of services, employment, and investment (MPE,2002). In the South African context, however, public ownership of some SOEs is the result of their enormous debt - all but nominal, with control and power resting firmly within the purview of international financiers (MPE,2002). Some SOEs operate in a manner that is not aligned with the broader goals of Government. Their policies contain only vague references to social responsibility (MPE,2000). RPIs aim at returning SOEs to the ambit of citizens' concerns (MPE,2000).

The formation of SOEs in colonial South Africa precipitated conditions for skewed development goals, irregular infrastructure and service delivery, and a plethora of structural issues (MPE,2002). Since 1994, these incapacitated SOEs had. to adjust to new requirements and new policies (MPE,2002). However, some failed to overcome their legacy of unsustainable debt burdens, underinvestment in key infrastructure and technology, and unmanageable corporate structures, hence the need to restructure them after 1994(MPE,2002). While many forms of restructuring can improve the efficiency with which SOEs use resources, a process that involves a transfer of ownership can have important additional macroeconomic benefits. These include:

- Fiscal impact, including lower costs of state debt and increased fiscal resources for targeted expenditure (NDP, 2012).
- Financial market impact including lower domestic interest rates and an improved credit rating, balance of payments impact, increased foreign capital inflows and a reduced forward book or increased foreign reserves (NDP, 2012).

An increased scale of privatisation allows for an accelerated reduction in the level of state debt which, in turn, has a significant impact on the interest costs of Government in later years (NDP, 2012). With given deficit targets, a reduction in debt service costs translates into greater resources for spending on social services or infrastructure investment. The role of some SOE's and their activities may have shifted, expanded, or contracted over time (NDP, 2012). The reasons for the establishment of some SOEs may have changed today because of changes in government policy and the socio-economic environment. This could mean that an SOE's role has either ceased to be

of policy significance or can now be dealt with in an equitable and sustainable way without public sector involvement. However, given that SOEs are invariably set up to serve public interest, it is important that the nature of the public good that an SOE provides and how the provision of these could be met by private businesses or partnerships be clarified instead of blanket privatisation. SOEs in South Africa are controlled by various ministries at the same time, for instance a policy ministry and a shareholder ministry may control one SOE. This precipitates a corporate governance problem of conflict of interests and duplication of roles and functions. The shareholder ministry represents government while the policy ministry must ensure service delivery. The National Development Plan has greater concerns on financial sustainability and efficiency of the SOE. The other problem with more than one department of government exercising control is that political interference results in disruptions in performance and good corporate governance in general because the departments of governments may have two different political visions and missions. Thus, the missions and visions of SOEs are disturbed by the political heads of ministries. Designing effective shareholder agreements and monitoring with evaluation of the performance of large SOEs is what is required to make these institutions viable and serve the poor at the same time. The main aims of government to assume restructuring and privatisation initiatives encompass reduction of inflation, cutting monopolies and government costs (Potts, 1999). Poor countries may use privatisation profits for socio-economic development. It is also intended to create opportunities and employment for the emerging black middle class and provide revenue to fund the welfarist RDP initiatives (Treasury Regulations 16 of 2004). Privatisation implementation is very slow hence it is difficult to assess its merits and demerits. It is religiously accepted that implementation of privatisation brings financial and economic fortunes to a country but

sometimes it turns out to be wrong because of the retrenchments and employee downsizing which emanates from such a process and its technical activities such a efficiency initiatives which cut the amount of jobs within a SOE.

The ANC government has chosen to perpetuate the neo-liberal policy trajectory which GEAR already ushered in. In pursuance of this economic trend the ANC government included privatisation and restructuring policy initiatives in the National development plan. Privatisation naturally transfers ownership of SOEs to the private sector, thus weakening government powers in the SOE. It is important to note that South Africa suffers from socio-economic challenges orchestrated by the settler apartheid regime, namely, unemployment, inequality, poverty, and large scale assetlessness amongst formerly colonised non-white majorities of South Africa. SOEs are important for socio-economic transformation but when they are bought by the private sector, they cannot be useful in terms of developmental goals of the country. The NDP promises that privatisation and restructuring can bring in competition which can lower prices of services thus benefiting the public, but the opposite is true. Usually, privatisation and restructuring of SOEs makes prices more expensive and unaffordable to the common citizen. The logic of the prescriptions is therefore marketization of the social development of the masses of the people. The World Bank /IMF suggested to the ruling ANC to implement the neo-liberalism in economic management of the country despite high ratios of poverty, inequality, and unemployment and assetlessness amongst formerly colonised people. Due to the funding and investment implications of infrastructure development public private partnerships, which are forms of privatisation, are envisaged instead of wholly publicly owned SOEs. The NDP also

proposes some broad sets of reforms which it believes are necessary to ensure sustainable improvements in the performance of SOEs:

- A clear mandate – Each SOE needs a well-defined and transparent mandate that sets out its role and how its activities serve the public interest. (NDP, 2012)
- A clear and straightforward governance structure – This involves clearly identifying and managing government's different roles in policy making, ownership of utility assets, and regulation of prices and quality of utility services (NDP, 2012). Careful consideration needs to be given to how these different roles are allocated to ensure a sustainable balance between short-term and long-term priorities and coordination between different policy priorities. (NDP, 2012)
- Deal with capacity constraints – Where all parties are operating within severe capacity constraints, models are needed that are tailored to existing levels of capacity, even as capacity is built over time (NDP, 2012). This requires a long – term strategy to develop the forms of policy and technical expertise that SOEs need to carry out their mandate (NDP, 2012).

Government policies such as National Development Plan give prescriptions on the functions and objectives of public enterprises in South Africa yet the institutional framework of operations and contribution to the national economic strategy is not established clearly (NDP, 2012). An institutional framework is key to dealing with socio-economic transformation goals as prescribed by the national development plan. Globally, State Assets have been seen as great propellors of socio-economic development and economic transformation because they generate financial resources for national governments (NDP, 2012). Thus, governments always seek national

ownership or much state-shareholding and control so that they can get money for developmental goals and socio-economic welfare objectives such as improvement of road infrastructure and other forms of physical structures in South Africa. The proposed central role for SOEs in the provision of social and economic infrastructure is, however, to find expression in public-private partnerships, a model favoured by the private business sector**.** In some cases, privatisation may be driven by political considerations, but presented as part of a broader structural adjustment and economic transformation programme**.** Narsiah, in Horwitz & Currie (2007:3) writes that in South Africa, after apartheid western liberal policies are disguised as development policy with a series of measures among which are fiscal austerity, export-oriented production and the privatisation of governmental services. The government of South Africa listened to economic factors to black economic ownership of commerce and industry. According to President Mbeki (in Gumede, 2005:3) as part of the continuing struggle to wipe out the legacy of racism, the government must work to ensure that there emerges a black bourgeoisie whose presence within the economy and society will be part of the process of the deracialisation of the economy and society**.** Ideology is critical in the discussion, adoption and implementation of restructuring and privatisation initiatives and the problem with the South African political space is that the ruling ANC government does not have a clear-cut ideology it follows unlike governments like the Cuban one and the Chinese who are clear with their pursuance of communism. It's difficult for South Africa because of the absence of a clear ideology from the ruling ANC party. Restructuring and privatisation policies are purely ideological in nature and content and in practice. Governments across the world operate variously and differently in terms of ideology and as a result their operations are also different. Most capitalist countries implement restructuring and privatisation

programmes unlike socialist and communist regimes which believe in social ownership of resources. Ideologically, privatisation arguments are based on four critical issues namely ownership, profitability, competitiveness, and productivity. Venter (1993) argues that two characteristics of socialism are national ownership of SOEs and welfarism. Governments must care for the poor and provide general welfare to them and nationalisation of SOEs can be beneficial in this case. De Witt (1988) argues that South African trade union COSATU argues for socialism while government believes in a free market approach. Thus, the union federation argues for nationalisation of SOEs and control by workers. Unions in South Africa believe that privatisation and restructuring of SOEs gives big business and the private sector control of the national economy than governments which are elected by the citizens democratically. Unions believe that privatisation cripples' participatory democracy hence they prefer nationalization of SOEs at all levels of government in South Africa. Unions believe in less big business and private sector participation in the economy. Unions loath big business influence in economic decision making hence their resistance to privatisation and SOEs restructuring.

The global technological trends, global economic forces and alignments and the post-apartheid socio-political developments motivated the restructuring and privatisation of SOEs. The world has changed variously and varyingly in terms of how State Assets are operated, and South Africa cannot ignore these developments. ANC policies have changed several times after democracy. ANC has moved from socialist-inclined policy shift to a neoliberal trajectory. By jettisoning RDP in favour of GEAR, ANC signalled the move towards neoliberalism. The National Development Plan is a neoliberal

blueprint which requires the adoption and implementation of restructuring and privatisation initiatives (Narsiah, 2002). Privatisation and restructuring initiatives are more successful in developed nations than underdeveloped or middle-income nations, largely because rich nations have well-developed markets. However, in all these instances and stages of political development the following have been identified as drivers of privatisation and restructuring of SOEs.

Table 8.5: Drivers of privatisation and restructuring

Ideological shifts	Collapse of Marxist ideologies and the movement towards free market economies.
Donor pressure	Donor agencies and nations have been exerting increasing pressure on governments to encourage private participation in infrastructure development.
Regional band wagoning	States which do not embark on privatisation programs risk becoming technologically obsolete compared to neighbouring states/regions which have done so.
Fiscal imperatives	High subsidies to inefficient SOEs became a burden on scarce government resources and intensified the risk of economic stagnation.
Globalisation of commerce	Global competition further exposed the inefficiencies of SOEs and increased the pressure for improvement.
Globalisation of finance	The easier availability of global funds as well as the growth of local capital markets facilitates the finance of large privatisation projects.
Institutional capacity	The appointment of state boards to assist privatisation and international agencies' encouragement of private investment has aided the privatisation process.
Growing middle class	A growing middle class has increased the demand for premium goods and services in such areas as communications and transportation, thus encouraging private sector involvement in their provision.
Technological advancement	The private sector now has the knowledge to design and manage infrastructure efficiently, as well as the capacity to operate beyond the boundaries of national networks, e.g., as in the case of telecommunications.

Source: Adapted from Price Waterhouse (2016)

Political objectives have motivated the implementation of privatisation and restructuring initiatives which are normally influenced by the WB/IMF in their programmes called economic structural adjustment programmes which mot poor nations and developing countries across the world have adopted after securing loans to remedy their economic malaise. Privatisation and restructuring initiatives are adopted with a view to attenuate socio-economic transformation in some countries around the world. South Africa is one of the countries that aimed to use restructuring and privatisation to attain socio-economic transformation since the economic architecture and commerce are still dominated by colonial-settler interests than formerly colonised majority indigenous people of South Africa. after 1994 Left-wing critics have accused the South African government of abandoning the more interventionist RDP in favour of the neo-liberal, free market GEAR (McDonald and Pape, 2002). However, the government's official position is that GEAR is a continuation of the RDP (Le Roux, 1997). Government in South Africa has introduced massive social welfare support systems for the citizens as espoused by the RDP policy and the government alludes that GEAR encompasses many elements of the RDP project. It is not simple to assess the effect of the restructuring and privatisation initiative since South Africa still experience greater development uncertainty, differences between big business and the ruling oligarchy, and finally the diversity of socio-economic interests.

The government of South Africa had from the beginning emphasized its priority SOEs for restructuring and privatisation. The table below identifies the SOEs, their total

assets, turnover, net income, number of employees and contribution to the GDP by 2005.

Table 8.6: Top state-owned enterprises

SOE's	Total assets (Rm)	Turnover (Rm)	Net income (Rm)	Employees	GDP
					873,637
Eskom	74,028	24,259	1,868	35,707	2.8
Transnet	56,088	27,080	779	84,080	3.1
Telkom	45,080	26,720	1,863	49,128	3.058
Rand Water	3,972	2,005	135	3,500	0.23
Denel	3,827	3,446	-203	11,090	0.394
Post Office	2,761	3,130	-90	28,454	0
Airports Co.	2,201	966	292	1,737	0.111
SABC	1,617	2,130	-99	3,245	0.244
Aventura	132	0,122	-698	1,669	0.014
Alexkor	131	0,227	-33	690	0.026
Safcol	690	582	14	8,211	0
Total	190,527	90,518	3,828	227,551	9.976

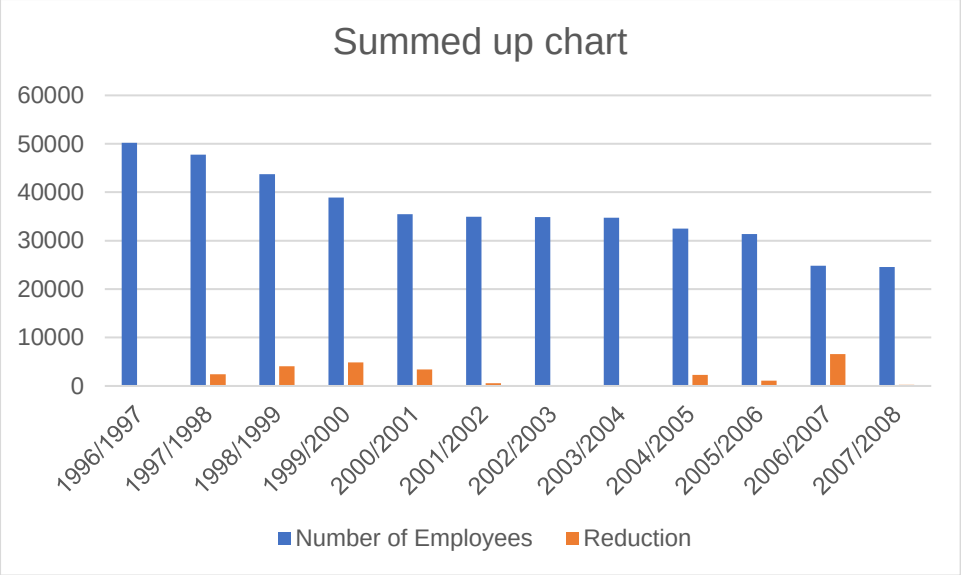
Source: GFFE (2005).

The lack of monitoring and evaluation initiative to examine the performance, in terms of success or failure of SOEs privatisation endeavours is a critical challenge to the total understanding of the restructuring and privatisation mission of the South African government. There is no clear-cut government policy which makes it mandatory to undertake monitoring and evaluation of the extent to which SOEs in general have either succeeded or failed in their restructuring or privatisation projects on a national scale. The current ruling ANC-led regime pronounces its intention to fulfil the goals of a developmental state in other policy documents such as the NDP. It outlines how SOEs can be useful in the attainment of a developmental state and economic growth.

8.4.2. Implications of restructuring and privatization of SOEs on employees

The phenomena of restructuring and privatization and their implication for employees at Spoornet is not widely discussed and documented issues, although government documents and parliamentary documents have intensively delved into it. When the government announced the adoption of the restructuring and privatization initiatives for most of its SOEs, Spoornet was one of the candidates for the process. Labour at Spoornet was involved greatly at every level of decision making concerning RPIs. Labour participated in compiling what is popularly known as the reconstruction of the Spoornet document. In that document Labour stated its positions very clearly. Efficiency measures were adopted by Spoornet, the deregulated road freight industry resulted in more downsizing of employees at Spoornet. Downsizing had been taking place at Spoornet since the commercialization exercises took place. From 1996 till 2008, document studies have shown that employee downsizing took place and job reductions occurred. The figure below shows it. It is important to realize that efficiency measures were decided jointly with Labour.

Fig. 8.2: Spoornet 1996/2008 Employee Downsizing Figure



The participation by Labour helped mitigate against major employee downsizing. It must be noted that Labour prevented the outright sale of Spoornet to private bidders as depicted in the Reconstruction of Spoornet document. When Labour is involved in such decisions, it represents the interests of its union. The main aim of undertaking RPIs is to entrench efficiency in the operations of an SOE because most scholars argue that SOEs operate at very low efficiency levels in the government-led milieu hence the need to sell them or parts of them. Thus, implementation of efficiency measures is a feature of improving the operational context and parameters the SOE. Part of the process is to cut cost and reduce spending. Most organisations reduce their staff complement and reduce their spending on salaries and maintain a clean balance sheet. Most SOEs have lost their revenue due to various types of corruption which include, systematic and systemic corruption, embezzlement, fraud and nepotism. Poor management which is attributable to lack of qualifications by managers has caused most SOEs to fail thus, solving the problem may include passing laws which can enable governments to deal with corrupt officials. SOEs and governments must

endeavour to employ qualified personnel at SOEs than political appointees who do not have qualifications. Selling SOEs to private companies benefits individuals as compared to keeping the State Asset under government. The Spoornet saga shows that if unions are involved in the decision-making process, then the negative implications are minimized. Satawu was involved actively in the discussions.

8.4.3. Employees labour trade union response to restructuring and privatisation of State-Owned Enterprises

As far as employees Labour / trade union response, the study has made observations and recommendations specific to the objective. This research will begin with recommendations specific to Cosatu and then Satawu.

8.4.4. Confederation of South Africa Trade Unions (Cosatu) response to the restructuring and privatisation of State-Owned Enterprises

Cosatu opposed the RPI from the beginning since the Harare declaration of 1986 when ANC and other liberation forces resisted the colonial government in South Africa. Cosatu believed in the freedom charter which agreed with nationalization, but Cosatu was part of the RDP discussions. The Reconstruction and Development Programme (RDP° sets out an approach to the restructuring of state enterprises, arguing that government should decide, on "the balance of evidence" whether the public sector should be expanded in strategic areas through "nationalisation, purchasing shares in companies, establishing new public corporations or joint ventures with the private sector", or whether it should be reduced in a manner that will "enhance efficiency, advance affirmative action and empower the historically disadvantaged, while

ensuring the protection of both consumers and the rights and employment of workers"(MPE,2000). By forming part of these policy discussions Cosatu found itself in a dilemma that while it opposed RPIs, it always was part of the policy discussions for adoption of the policy trajectory. Again Cosatu, as part of the alliance partners, saw GEAR coming to life with its neo-liberal notions of development. The Growth, Employment and Redistribution (GEAR) strategy provides a similar view on restructuring, noting that it "may involve the total sale of the asset, a partial sale to strategic equity partners or the sale of the asset with Government retaining a strategic interest. It also proposes a phased process of restructuring to maximise value and to ensure that adequate regulatory frameworks are put in place. GEAR argues for "decisive leadership by Government". This entails a protocol on corporate governance indicating the objectives and performance appraisal norms for all SOEs, a programme of asset restructuring, and fair pricing policies that would ensure full cost recovery while "also promoting competition or protecting consumers against monopolistic practices"(GEAR,1996). Cosatu, formed part of the alliance partners who drafted the neoliberal policy which was against the workers. Neo-liberal macro-economic policy has been criticised as creating under-development in South Africa during the colonial and apartheid periods. The liberation struggle was promised as a fight against neo-liberalism principles but COSATU, which is a governing coalition partner argue that the NDP is in substance and content neoliberal. According to COSATU the NDPs goal of creating 11 million more jobs and reducing unemployment from 25% to 6% by 2030 *inter alia* is highly unrealistic. Additionally, such ideals should simultaneously be linked with bringing down the cost of living to reduce poverty and inequality otherwise the plan’s aims remain ambiguous in the reality of the South African environment (Business Day, Dec 2, 2013). The legal framework of commercial practice and

ownership and relations of production have not changed. The change in the policy framework being advocated by Business South Africa, representing the private sector, is more liberalization and removal of political oversight, described as political interference. According to Cosatu, /. State-Owned Enterprises must:

- Increase the labor-intensity of their budget expenditure and contribute towards overall labor-intensity of the economy.
- Provide decent work, eliminate outsourcing, the use of labor brokers and precarious work.
- Procure inputs from local industries,
- If they procure from foreign firms, they must put in a provision for skills and technology transfer to local firms.
- Play a leading role in the revitalization of rural economies through economic and social infrastructure provision.
- Lead in skills development through bursary schemes, partnerships with relevant institutions, targeting those located in rural areas and former Bantustans.
- Support research and development of new technologies to promote cost-effective ways of producing and to benefit downstream industries.
- Eliminate the profit motive from the delivery of infrastructure, by directly delivering infrastructure, basic goods and services to the economy and communities – this means building internal skills.

- Produce strategic inputs for industries: water, electricity, steel and other metals, cement, and chemicals (Cosatu, 2012).

In COSATU's economic plan of 1996, asserted its position against privatisation and restructuring of SOEs (COSATU,1996). Labour led by COSATU formalised their opposition to privatisation in terms of:

- More government intervention in the economy to secure worker rights and meet development goals:
- Restructuring and not privatisation of SOE's:
- That the goals of the RDP will be defeated if restructuring benefits a new Black elite, while the delivery of essential services is fundamentally undermined (SA Foundation,1996).

COSATU argued that social equity, and the reduction of social inequalities in South Africa, should be solved by:

- Redistribution of wealth through the implementation of the social and equity principles contained in the RDP.
- The promotion of worker's rights
- Increased employment
- The development of the full human potential of the people.
- Securing the provision of basic infrastructure and services to all citizens (SA Foundation,1996)

Cosatu opposed the above together with the principles of GEAR because they argued that government drew its restructuring and privatisation mandate from this policy. The intentions of government are clearly outlined in GEAR and COSATU rejected them:

Major Principles of GEAR, which COSATU rejected:

- Reduction of the role of government in the economy.
- Drastic budget cut (from 6% of the GDP to 3% by 1998 in SA.
- Removal of subsidies on goods, services, and activities such as agriculture, education, and health.
- Privatisation proceeds to be used for debt service;'
- Trade liberalisation, especially the removal of controls on imports.
- Retrenchment of public servants without redeployment'
- Privatisation of some SOE's with a social-welfare component, e.g., the envisaged privatisation of ESKOM.

Cosatu played a critical role in the labour engagements with government and Spoornet management with regards to the RPI. The recommendations, produced by Cosatu are guided by the quest to prevent negative implication of the processes on employees. Even if Cosatu was compromised by its membership in the tripartite alliance, it still managed to support its affiliate unions in their resistance against neo-liberalism and its principles of privatisation and restructuring processes.

8.4.5. Satawu Response to the restructuring and privatisation of State-Owned Enterprises

Theis important to realize that Satawu, the main trade union which represented most of the unions and their members in the restructuring and privatization initiative (RPI) engagements at Spoornet, has raised crucial questions about the whole restructuring

and privatization saga. Labour had the knowledge that the efficiency measures and the transport deregulation policies had implications for the employee downsizing process. Labour managed to successfully influence resistance to the PRI and the reconstruction of Spoornet document and agreement bears witness. Satawu participated together with the consultants, government and Spoornet executive management in discussions which minimized the implications of downsizing at Spoornet. Without the involvement of Labour, the consequences could have been very severe for the employees. Satawu raised important arguments concerning the separation of infrastructure and operations of Spoornet for the simple purposes of clean cost accounting which did not consider other economic, social, and political issues pertinent to the macro-economic policies of the country. Satawu identified various issues of concern and lessons learnt during the engagements on the Spoornet Restructuring and Privatization Initiative (SRPI) Below are the issues raised.

- What does it mean to build consensus for the restructuring model? Is organised labour simply a party to be consulted about the effects of restructuring, or about the model of restructuring itself. (The Spoornet experience showed that labour should be included in the process of deciding on the model for restructuring).
- How much time and energy are the parties willing to put into the process? (The Spoornet experience tells us that parties must be willing to set aside both time and resources if the consultative process is to be meaningful. The Spoornet experience showed that while the financial resources available to labour may be limited, their access to the ideas and experience of employees on the ground is an invaluable resource).

- To what extent is the lead party i.e., government, willing to be open minded about the outcome of a restructuring and privatisation consultative process? (The Spoornet experience indicates that governments need to trust the outcome of a genuine consultative process with all stakeholders)
- To what extent is government open to reconsidering positions it has already adopted, often on the advice of consultants? Is government policy a juggernaut which cannot be stopped, irrespective of what considered analysis reveals? The Spoornet experience reflected that a willingness to reconsider, based on evidence, is critical to wise political decision making.)
- What measures should be put in place to prevent consultants acquiring untoward power and influence over democratically elected decision makers? How can decision makers be empowered to have the self-confidence to receive advice from consultants and advisors critically? The Spoornet experience tells us that there is always a danger that consultants and advisors could wield too much influence in the process. This power may assume that the advisors have all the knowledge that it takes to decide, or on financial interest, or both. (Satawu,2002).

Although these were critical questions, they are also lessons to learn about the SRPI and such processes for most SOEs in general in South Africa. Labour is very important because it represents the employees of the SOEs and their ideological and practical views pertaining to the RPI. On the role of the trade unions in relation to the restructuring and privatisation of State-Owned Enterprises, former Minister Erwin stated in his 2004 Budget speech:

> It is the job of trade unions to protect the interests of their members and their perspective will always be more public than that of private sectors enterprises. Government accepts and welcomes these aims of the union movement, as they are integral to the working of our society and the democracy within which our economy is embedded. Accordingly, the principle that the restructuring of state assets is a process to be negotiated with the unions is fundamental to the process (MPE,2000).

The above statement depicts the role of trade unions in opposing policy programmes which have negative implications on their membership and their conditions of service. Cosatu and Satawu demonstrated that unions are a force to reckon with in the engagements and discussions on RPIs in SOEs.

8.5 Contributions of the study

The contribution of this study is very wide and manifold. This study has focused on privatization and restructuring in the rail sector while most studies focus on wider SOEs. Most studies focus on the impact on the financial well-being of the SOEs and profitability issues, but this research dwelt on the implications on employees and resistances from the unions Restructuring and Privatization Initiatives (RPI)s are broadly and widely viewed as viable panaceas to the woes of SOEs globally and locally. This study also refocuses attention on the human factor implication in the organization while there is greater emphasis on investigating profitability issues during privatization and restructuring. There is a religious acceptance in totality that when governments formulate policies on RPIs then they will automatically succeed in

precipitating operational efficiency, effectiveness, profitability, and productivity yet in practice they may have the opposite effect because SOEs may not have been prepared adequately. The performance of RPIs is mixed. While RPIs have led to some economic gains, wider governance issues politically and legally have interfered with their success. RPIs have not always led to the removal of state involvement in businesses and services. Corruption and cronyism have blighted numerous RPIs.

RPIs have resulted in winners and losers. Workers have been negatively affected by the sale of SOEs although investors made spectacular gains. The implication of RPIs for employees, their employment and working conditions remains unclear (Parker,2021). This study has led to the understanding of the implications of PRIs on employees, specifically at Spoornet, Cosatu's objection to it, and the role of Satawu in the RPI with government. The study has shown that unions must not be compromised, rather they must participate in the RPI discussion to protect the interest of their members and prevent employee downsizing.

8.6 Implications for further research

The implications for further research are immense and innumerable. These include consequences of RPIs for downsized staff, technological innovation and change, competition policies, income and wealth distribution, future railway restructuring and privatization, trade union engagement and influence, political realignment and relations between employees and their unions. A further area of research is how

effective and efficient SOEs can be best achieved without undertaking structural transformation of the whole SOE. The fluidity of the boundary between private and public sectors is worrisome. The implications of the RPI on women, children, middle managers, and executives is important as stand-alone projects. Other important issues include research on static versus dynamic efficiency gains for the SOEs, income and wealth distribution, competition policy and regulation. Research needs to be focused on municipal SOEs, provincial SOEs and National government SOEs. Another area of research is the problem of conflict of interest between shareholder ministries and policy ministries in the management of SOEs. The shareholder ministry of Spoornet is the ministry of public enterprises, and the policy ministry is the department of transport, thus the conflicting roles must be investigated. The role of the Presidential Coordinating Council on SOEs versus the role of various Boards must be researched as well. Research on good corporate governance of SOEs is long overdue. The role of liberation movements and prebandalism in SOEs is another area of interest. Another important question to ask is why governments believe that their assets can be better run and owned by private interest. Most countries lack effective and efficient competition policies and regulatory institutions. With the high levels of both systemic and systematic corruption many countries have failed to account for RPI funding, hence the need for research in the field of restructuring and privatization initiatives.

Other areas of future specific research may include:

- Clarity on roles of the State as the Owner and SOEs as Managers
- Trade Unions as major Stakeholders and government Alliance partners
- The role of the restructuring and privatization regulatory framework,

- The role of Efficiency Measures on the performance of Railways
- The use of Restructuring and Privatization Consultants
- Political interference and Corruption in SOEs
- Political support for the reform
- Nationalization Versus Privatization and Restructuring of SOEs
- Traditional Leadership involvement in revitalization of rural rail routes
- Gender Issues in restructuring and privatization
- Implications of employee downsizing on female staff

This list goes to prove that there are many areas of research which can be explored by scholars.

8.7 Concluding remarks

The study has shown that restructuring and privatization of State-Owned Enterprises has an impact on the employees largely because of the Efficiency Measures (EM)s that accompany these reforms. This study also managed to identify the rationale of restructuring and privatization of State-Owned Enterprises in South Africa. Finally, the study has reflected that trade unions resist restructuring and privatization of SOEs vehemently because of the implications these reforms have on the workforce. The study demonstrated that trade union resistance produced a better proposal called the "Reconstruction of Spoornet", which provided better cushions for employees and reduced the rate and extent of employee downsizing which was precipitated by

efficiency measures associated with restructuring and privatization. that proponents heavily rely on when implementing these reforms in SOEs. Thus, the study has shown that its objectives have been realized. Restructuring and Privatization Initiatives (RPI)s in SOEs are meant to engender operational efficiency, effectiveness, greater competitiveness, profitability, and productivity but the results are mixed. Most governments lose revenue by selling their companies to private interests that make huge profits at the expense of the ordinary citizens of a country. When governments experience loss of revenue, they suffer from lack of funds hence less money for service delivery. The employee downsizing which is accustomed with RPIs leads to joblessness and unemployment. Efficiency initiatives also cripple levels of employment and precipitate job losses as shown by the Spoornet saga. The use of private consultants incurs further loss of government revenue in the SOEs sector. When unions are part of government, it's difficult for them to benevolently oppose national government decisions readily and easily. COSATU and SATAWU rejected the neoliberal public policy trajectory in South Africa which hatched RPIs in SOEs but because Cosatu is part of the ruling alliance in government, its strength is severely vitiated or limited when attempts to oppose the restructuring and privatization of SOEs.

In conclusion, this study has shown that the restructuring and privatisation of SOEs in South Africa was a government programme, with its rationale clearly outlined in the document: An Accelerated Agenda Towards the Restructuring of State-Owned Enterprises Policy Framework, which was produced by the Ministry of Public Enterprises, the shareholder ministry of most SOEs in South Africa. Most government policy programmes, beginning with the apartheid government, since 1987, were

focussed on debt -recovery and funding through privatisation and restructuring of SOEs. Government needed finance to fund RDP policy projects. The desire to enhance SOE operational efficiency, effectiveness, greater competitiveness, productivity, and greater profitability, led the South African government, in line with global trends, to adopt a neo-liberal approach to an SOE improvement plan. The Unions initially opposed the government reform plans but later, took a more moderate approach as opposed to their 1986 Harare declaration objectives. In Harare, unions with liberation parties, totally objected to any neoliberal policy trajectory but after independence, COSATU became a member of the ruling alliance hence its approach became lukewarm although it continuously supported resistance to privatisation and restructuring by its affiliates such as SATAWU which fought a successful war at Spoornet. The Reconstructing Spoornet document discusses the positive results of trade union resistance to processes of privatisation and restructuring of SOEs in South Africa and the world. Various restructuring and privatisation stakeholder groups that were formed at Spoornet during restructuring engagements enabled SATAWU to participate in all of them and produced decisions which lessened the implication of RPIs although it must be noted that the Efficiency Initiatives and the road freight deregulation measures (RFDM)s, to some extent, accounted for some of the employee downsizing at Spoornet. In most restructuring and privatisation initiatives, efficiency measures are discussed to improve the operational performance of the inefficient and ineffective SOE, hence one of the goals of restructuring and privatisation is to enhance efficiency and effectiveness of SOEs. Thus, it can be noted that Labour played a key role in the restructuring and privatisation engagements with government and Spoornet executive leadership There is a gamut of literature on privatisation and restructuring of SOEs but there is less focus on specific SOEs in the rail sector, hence the

uniqueness of this study which centred on Spoornet. The Spoornet saga became a unique case study because of the trade union successful resistance to SOE reform and consequently succeeding in providing an alternative policy proposal called the Reconstruction of Spoornet.

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Annexures

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28 July 2023

ETHICS APPROVAL LETTER OF STUDY

Based on approval by the **Basic and Social Sciences Research Ethics Committee (BaSSREC)** on **28/07/2023**, the Basic and Social Sciences Research Ethics Committee hereby **approves** your study as indicated below. This implies that the North-West University Senate Committee for Research Ethics (NWU-SERC) grants its permission that, provided the special conditions specified below are met and pending any other authorisation that may be necessary, the study may be initiated, using the ethics number below.

Study title: The Implications of Restructuring and Privatisation of State-Owned Enterprises (SOE)s on Employees in South Africa with Specific Reference to Spoornet.

Study Leader/Supervisor (Principal Investigator)/Researcher: Prof. C. Hofisi

Student/Research Team: N. Gumede (34740953)

Ethics number: N W U - 0 1 0 1 6 - 2 3 - A 7
Institution Study Number Year Status
Status: S = Submission; R = Re-Submission; P = Provisional Authorisation; A = Authorisation

Application Type: Single study

Commencement date:28/07/2023 **Risk:** No risk

Expiry date:28/07/2024

Approval of the study is initially provided for a year, after which continuation of the study is dependent on receipt and review of the annual (or as otherwise stipulated) monitoring report and the concomitant issuing of a letter of continuation.

Special in process conditions of the research for approval (if applicable):

General conditions:

While this ethics approval is subject to all declarations, undertakings and agreements incorporated and signed in the application form, the following general terms and conditions will apply:

- *The study leader/supervisor (principal investigator)/researcher must report in the prescribed format to the BaSSREC:*
  - *annually (or as otherwise requested) on the monitoring of the study, whereby a letter of continuation will be provided, and upon completion of the study; and*
  - *without any delay in case of any adverse event or incident (or any matter that interrupts sound ethical principles) during the course of the study.*
- *The approval applies strictly to the proposal as stipulated in the application form. Should any amendments to the proposal be deemed necessary during the course of the study, the study leader/researcher must apply for approval of these amendments at the BaSSREC, prior to implementation. Should there be any deviations from the study proposal without the necessary approval of such amendments, the ethics approval is immediately and automatically forfeited.*
- *Annually a number of studies may be randomly selected for an external audit.*
- *The date of approval indicates the first date that the study may be started.*