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Does subcontracting create dynamic entrepreneurs or exploited workers? Remarks from a South African case study

The rise of precarious work has become a dominant feature of the neoliberal order, in the Global North as well as in the Global South. Attempts to portray insecure employment as an opportunity for dynamic agents to 'do their own thing' have been recycled by proponents of neoliberalism, from De Soto's glorification of the informal urban economy to the recent 'uberisation' of service employment. Yet, in a context where trade unions have often not been able, or willing, to organise on the (growing) 'margins' of their core sectors, such perspectives have gained credibility and even popularity, for instance among 'third way' politicians such as E. Macron in France. In the Global South, the promotion of small enterprises has become a leading donor instrument to promote growth and reduce poverty, in spite of the growing evidence that initiatives such as microfinance have failed dismally.

This paper will draw on a case study of South African forestry to assess the validity of claims that present micro-entrepreneurial opportunities as a positive response to problems such as rural poverty and unemployment. The growth in entrepreneurial opportunities has been a direct consequence of the restructuring of productive organisation. Previously integrated 'from stump to mill', commercial forestry has been split from the 1980s; lead producers, called grower-processors (GPs), have outsourced most of the forestry activities, while retaining control of downstream processing (mainly pulp & paper), to a range of contractors initially recruited among their managers. In response to growing cost pressures linked to a 'race to the bottom' approach by GPs, contractors have in turn subcontracted many parts of their work, thus creating space for many small-scale (often black) participants in production. Many of the latter operate in what some call 'the informal economy', meaning neither their business nor their workers are registered; more importantly, they are in a very vulnerable position viz. their contract providers, who typically pass on to them the riskiest part of the work.

The analysis of the contractual and employment relations in forestry production yields a number of surprising results. First, the economic benefits of restructuring to the sector as a whole have been elusive, leading some GPs to consider re-insourcing – although recent evidence suggests they have ended up opting for mechanisation instead. Secondly, the consequences of restructuring have been particularly harsh not only for workers but also for many contractors, especially the smaller ones. These results, which confirm those found in many other cases of restructuring, suggest that the positive spin on small enterprise promotion (reinforced in South Africa by the policy obsession with promoting small black enterprises) conceals a different reality: that subcontracting entails the illusion that commercial relations have replaced employment ones, thus blurring lines of operational responsibility and undermining the potential for labour organising. In this sense, subcontracting is part and parcel of neoliberal attempts to undermine the power of labour.