

1-1-2007

Privatisaton as a tenet of GEAR and its socio-economic impact on the poor in the Western Cape with specific reference to the Township of Khayelitsha

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Recommended Citation

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Cape Peninsula
University of Technology

**PRIVATISATION AS A TENET OF GEAR AND ITS SOCIO-ECONOMIC IMPACT
ON THE POOR IN THE WESTERN CAPE WITH SPECIFIC REFERENCE TO THE
TOWNSHIP OF KHAYELITSHA**

By

JOAO MATEUS DOMINGOS

SUBMITTED IN FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE

OF

MAGISTER TECHNOLOGIAE IN PUBLIC MANAGEMENT

AT THE

CAPE PENINSULA UNIVERSITY OF TECHNOLOGY

FACULTY OF BUSINESS

SUPERVISOR: PROFESSOR WILLIAM FOX

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CAPE TOWN

OCTOBER 2007

DECLARATION

I, Joao Mateus Domingos declare that the contents of this thesis represent my own unaided work and that the thesis has not previously been submitted for academic examination towards any recognised qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

Signed

Date.....

ABSTRACT

The purpose and objectives of this research project was to understand and assess the progress or failure of privatisation in the South African context and to critically investigate the effects and factors, which influence privatisation.

Chapter one dealt with background information to the research. Chapter two dealt with privatisation as a worldwide trend in many countries. It analysed privatisation since its inception in Africa, and South Africa in particular. Furthermore it assesses the impact of privatisation socially and economically. Chapter three dealt with the research methodologies used, while chapter four presents the data chapter five concludes the study and make recommendations. An in-depth literature review was conducted to investigate the macro-economic policy of GEAR and the socio-economic impacts of privatisation on the Khayelitsha communities were investigated to attain this aim the research utilised four questions. The researcher employed, qualitative and quantitative research methodology.

Two types of data analysis were used namely structural and interpretational. These techniques were advantageous for the study because they explored the feelings of those who are at the receiving end of government policies and business. It also explored how different people react to unemployment and privatisation by getting responses from the respondents in their own words. The result of the data analysis revealed that privatisation is not creating jobs as expected.

The research revealed the financial inability of people to afford basic services. The Khayelitsha community prefer services rendered by government instead of private sector. The findings of the statistical analysis were supporting and responding to research questions; it furthermore, indicated the respondent dissatisfaction with government's privatisation objectives.

The researcher concludes that it is necessary to take into account that government in principle has the interests of the citizens at heart. However its macro-economic policy is not having the desired results. Therefore, the researcher recommends that government policies be revised. In turn, efficient, effective and affordable services will be ensured.

ACKNOWLEDGEMENTS

In the name of Allah most high, the merciful and the most gracious. To you all praise and honour must be rendered.

I wish to thank:

- Professor. William Fox (supervisor) and Mrs. Carina America my first (co-supervisor), my current (co-supervisor) Mrs Rozenda Hendrickse for your insight, guidance, academic support, positive criticism and invaluable contribution towards this research;
- The community of Khayelitsha for responding and completing the questionnaire during the empirical research phase;
- My younger brother Antonio for supporting me emotionally and financially since the inception of my studies. Thank you;
- Sivenkosi for the encouragement to enrol to do my Masters degree;
- To Mrs Shameila Sulaiman for proof reading and editing this dissertation.

The financial assistance of the National Research Foundation towards this research is acknowledged. Opinions expressed in this thesis and the conclusions arrived at, are those of the author, and not necessarily to be attributed to the National Research Foundation.

DEDICATION

This dissertation is dedicated to:

My late father Antonio Francisco Domingos, who did not live to see my achievement, may your soul rest in peace. To my mother and my sister for your significant spiritual and financial support. May Allah reward you.

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LIST OF ACRONYMS

CEO	Chief Executive Officer
COSATU	Congress of South Africa Trade Unions
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEAR	Growth Employment and Redistribution
IMF	International Monetary Fund
M&G	Mail and Guardian
NGO	Non-Governmental Organisation
PER&O	Provincial Economic Review & Outlook
RDP	Reconstruction and Development Programme
SADC	Southern Africa Development Community
SSA	Statistic South Africa
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children Fund
USA	United States of America
WB	World Bank

CHAPTER ONE

BACKGROUND TO THE RESEARCH

1.1 INTRODUCTION

The 1994 elections ushered in a new, exciting and challenging era for South African society. The democratic government had inherited a discriminatory socio-economic system and a disorganised politico-administrative framework, yet expectations for this government to deliver an improved quality of life were immense (Luiz: 2000).

The need for new and relevant macro-economic policies such as the Reconstruction and Development Programme (RDP) were originally launched in 1994. Due to lack of success in achieving its initial objectives, the RDP office was disbanded. In June 1996 the government adopted a new macro-economic policy framework called the Growth Employment and Redistribution Strategy (GEAR). GEAR, which the government adopted in 1996, is being singled out as having dire consequences on education, social services and employment. The main focus of GEAR was to reduce poverty and inequality by introducing a surge of economic growth.

According to Sikhakhane (2001), features of GEAR include economic growth, export-orientation and privatisation, otherwise known as the restructuring of state assets, deregularisation and trade liberalisation. The key goals of GEAR were an economic growth of 6% in the year 2000, inflation of less than 10%, above average employment growth within the economically active population, poverty reduction and job creation. All of these remain key goals of the government's economic policy (Knight: 2001).

The above-mentioned policies were and are of paramount importance, to improve the quality of lives of the citizens and emanates from the need to create jobs through economic growth.

In addition, the government made brave promises of creating 1.35 million jobs by the year 2000, boosting exports by 8% per year, and drastically improving the distorted social infrastructure. Retrenchment is one of the consequences of privatisation it affects service delivery regardless of the social need. Too often the government shifts its responsibilities of promoting the welfare of its citizen, leaving it in the hands of the private sector, whose major objective is to make profit (Sikhakhane: 2001).

Knight (2001) states that the South African government has made significant progress in meeting the goals of the RDP by providing housing, basic services, health care and land reform. The lives of millions of people have been improved. The government believes that GEAR and privatisation are the best long-term ways to achieve this growth.

Streak (2004) emphasised that the policy of GEAR had promised to reduce poverty and inequalities in the form of demand stimulus led by a rapid expansion of private sector investment. In addition, the author contends that the experience of “jobless growth” from 1994-1996 manifested the realisation that economic growth does not necessarily ease unemployment. GEAR is therefore linked to specific job creation targets.

Nattrass (1996:26) “equates the GEAR document with the South Africa Foundation (1996) document, which was prepared by big business into a right-wing hub”. Nattrass (1996) illustrates their similarity by stating that both documents envision a world economy as an integrated capitalist system, where market forces reign supreme, punishing countries which do not obey the unwritten code of “sound” fiscal, monetary and labour-market policies. GEAR represents a government that comes to terms with these economic realities and accepts its limitations.

The government stands by the GEAR policy, saying that in the long-term it will provide South Africa with the most economic growth. Given this background, the standard of living of the majority of the South African citizens are deteriorating since they cannot afford the services that are rendered by private companies (Hall: 1999).

GEAR and its tenet of privatisation form an important part of this research. The origins of GEAR are contested and subjected to debate and speculation. The analyses of this topic and nature of debate are usually characterised by polemic accusations and counter accusations. Ferguson (1992) notes that there is no universally accepted definition of privatisation and the only thing that can be said with certainty is that it involves the reduction of state influence in the operations of firms and the transfer of some or all of the ownership and/or control to the private sector.

The following definition by McGregor (1987) clarifies the term privatisation as a systematic transfer of appropriate functions, activities or property from the public to the private sector, where service productions and consumption can be regulated more efficiently by market and price mechanisms.

The term privatisation is hardly amenable to a categorical, precise definition. It is used to describe an array of actions, which are designed to broaden the scope of private sector market activity, or the assimilation by the public sector of efficiency-enhancing techniques that are generally employed by the private sector (Adams, Cavendish and Mistry: 1996).

For the purpose of this study, the researcher defines privatisation as a process whereby government monopolies, enterprises, services and functions are sold or transferred to the private sector without any certainty of success, thus creating the impression that this will increase productivity and efficiency. Given South Africa's background and current state as well as the debate surrounding this issue, this study seeks to determine whether the South African government's macro-economic policy, GEAR, and its tenets of privatisation, has achieved its economic objectives.

1.2 LITERATURE REVIEW

An in-depth literature review was conducted to investigate the macro-economic policy GEAR and its tenet privatisation, and its socio-economic impact on the Khayelitsha communities. Two sources of information were employed for information gathering, namely: primary and secondary .The secondary data consisted of books, articles, speeches, academic papers, minutes of meetings, official reports, journals and computer searches. Other publications were also studied in order to review the existing knowledge, based on relevant updated information on the subject of privatisation in South Africa, with specific reference to Khayelitsha.

The primary data consisted of structured questionnaire and structured interview. This is reflected throughout the entire study, particularly in Chapter Two. According to Bless and Higson-Smith (1995:99) "when researchers have to use data collected by other investigators in connection with other research problems this constitutes secondary data."

Hart (1998) defines a literature review as the selection of available documents, published and unpublished, on the topic which contain information, ideas, data and evidence written from a particular standpoint, to fulfill certain aims or express certain views on the nature of the topic, as well as how it is to be investigated and the effective evaluation of these documents in relation to the research being proposed.

1.3 RESEARCH PROBLEM

Privatisation does not create job; neither does it reduce inequality and poverty. It has caused job losses. Since its inception and owing to the business interests in making profits, some companies have to retrench workers. There have been large job losses in Europe, Africa specifically South Africa, as a result of privatisation in particular and also as a result of liberalisation. In the energy sector in Western Europe, up to 212,000 jobs were lost between 1990 and 1995, a fall of 17%. The United Kingdom, the only European Union country that completely privatised its electricity industry in this period, accounts for over half of this loss 110,000 jobs, a cut of 42% Hall (1999).

The aforementioned report states that in UK, electricity privatisation did produce some cost 'savings, which were almost entirely caused by job losses Hall (1999). In the quest to make more profit, Rex True Form's Salt River plant, threatened closure. Approximately 1000 people would have been jobless. This is evidence of the impacts of privatization (Horwitz: 2005).

The South African government strives for an equal society and, as a result, various measures have been established to ensure equitable distribution of wealth, economic growth, and job creation. One of these measures is privatisation. The intention is good; though it contrasts with the government's action that of privatising vital social services, which leaves the poor without the capacity to afford such services, while the wealthy become wealthier and are able to afford services that, improves social development opportunities.

Nondwangu (2005) supports the above view in an article that deals with alternative macro-economic strategies. She mentions that the ANC inherited a skewed economy and that privatisation has been unable to produce goods that are affordable to the majority of people.

According to Otenyo (2003), privatisation promotes national dependency on increasingly integrated globalised centres of accumulation. Nomvete, Maasdorp and Thomas (1997) refute the above claims stating that privatisation is the only way to address poverty, thus supporting the government.

1.4 RESEARCH QUESTIONS

- Why is the South African government privatising its services and enterprises? What will the role of the government be with regard to privatisation?

- Has privatisation failed or achieved its objective to create more jobs and realise economic growth?
- Is privatisation the solution in relation to job creation, poverty reduction and socio-economic inequalities?
- Do the poor (unemployed/working class) reap the benefits of privatisation in Khayelitsha?

1.5 OBJECTIVES OF THE STUDY

The objectives of the study are:

- To understand and assess the impact, progress or failure of privatisation in the South African context;
- To critically investigate the effects and factors that influence privatisation in order to assess its impact on the poor.
- To assess whether the South Africa government's macro-economic objectives set in GEAR privatisation has....and whether poverty has been alleviated particularly the creation of job
- To seek a sustainable alternative to privatisation in order to create jobs, poverty reduction and socio-economic inequality;
- To develop a set of conclusions and recommendations to improve the lives of the poor in South Africa in particular and to the Western Cape township of Khayelitsha specifically.

1.6 RESEARCH DESIGN AND METHODOLOGY

To better understand what research is, the following definition serves the purpose. Sekaran (1984) describes research as a systematic, organised database and a critical effort to conduct an inquiry or investigate a scientific problem with the specific objective to find an answer or solution.

The researcher used both primary and secondary sources of information, which were obtained from the Internet, university libraries, government institutions, the Confederation of South Africa Trade Unions (COSATU) and non-governmental organisations. The study employed both qualitative and quantitative research techniques of data collection to enable the researcher to explore opinions, attitudes, perceptions and beliefs about the impact that privatisation has on the poor communities.

The researcher used two types of data analysis, namely structural and interpretational. These techniques were advantageous for the study because they explored the feelings of those who are at the receiving end of government policies and business. It also explored how different people react to unemployment and privatisation by getting the response from the respondents in their own words. According to Bless and Higson-Smith (1995:99) primary data is "when the researcher collects its own data for the particular purpose." Leedy (1985:88) described primary data "as that which lie closest to the source of phenomenon." The questionnaires were in English but an interpreter was available for those cases where respondents were not conversant in English.

The primary source of information used consisted of a structured questionnaire. Open and close-ended questions were posed. The information acquired in this research project is regarded as confidential and the necessary diplomacy regarding questionnaires was employed. The questionnaires were distributed within the township of Khayelitsha. The sites were randomly selected and it included Site C, Site B, Elitha Park, Macassar and Mandela Park. The questionnaires were designed in a manner that prevented any bias or unethical conduct from the researcher and respondents during their completion, as a precautionary measure to ensure objectivity and honesty from the respondents. Structured questionnaires were used as a technique to collect data and applicable recommendations for the study.

1.7 SIGNIFICANCE OF THE STUDY

The findings of this study served to provide information on the impact of privatisation. This could guide the government in drafting new macro-economic policies, amending the existing ones, seeking alternative means for sustainable job creation and methods to eradicate poverty and inequalities based on African values and realities.

Furthermore, the study provides recommendations to deal with the socio-economic imbalances of the past. It also seeks to identify external and internal factors, which influence the formulation

of policies, or to revise them, analyse some of the causes of poverty and identify possible ways to address them.

1.8 GLOSSARY OF CONCEPTS

The following concepts were used throughout this study and a glossary is provided to avoid ambiguity.

1.8.1 Ubuntu

Ubuntu means the humanistic experience, which encompasses universal values such as brotherhood for Africans, sharing, treating and respecting other people with respect as human beings (Bhengu: 1996).

1.8.2 Sustainable development

Sustainable development involves developing or progressing in the way that ensure a better quality of life for present and future generations. It can be described as meeting the needs of the present without compromising the ability of future generations to meet their own need (Fourie: 2005).

1.8.3 Globalisation

Current definitions of globalisation are littered with polemic and redundant notions. Whether defined as liberalisation, internationalisation, universalisation, westernisation, or globalisation, as a system it has often escaped objective analysis and responses. In most cases the debate follows the pattern of religious dogma and ideological loyalty (Suppermaniam: 1999).

Sikhakhane (2001), citing Hist and Thompson, defines globalisation as a process through which an increasing proportion of economic, social and cultural transactions take place directly or indirectly between parties of different countries.

1.8.4 Unemployment

Unemployment refers to a mismatch in the demand and supply of certain jobs because of structural changes in specific economic sectors (Schrire: 1990).

1.8.5 Macro-economics

Macro-economics deals with the economy as an entity. Rather than consider the concept of supply and demand as a separate entity, it considers the grand total of demand and supply, as well as the concept of total investment (Hayden: 2004).

1.9 ETHICAL CONSIDERATION

Permission to carry out the research was obtained from each individual from the communities that were identified. Further participation was voluntary and all participants were informed about the nature of the study.

1.10 LIMITATION OF THE STUDY

This study was conducted in the Western Cape Province with specific reference to Khayelitsha.

1.11 CHAPTER OUTLINE

Chapter One: Background to the research

This chapter deals with the scope of the study, focusing on a relatively broad description in which the researcher provides a background and discussion of issues relating to the thesis statement. The research questions are posed here. It gives a brief overview of the concept of privatisation, the economic situation and unemployment since its inception and provides an understanding of the study. A resume of all the available literature; the problems associated with it and the objectives of the study are also outlined, as well as its significance and limitations.

Chapter Two: Theoretical overview and the impact of privatisation internationally and nationally

This chapter presents the literature review, with theories relevant to the thesis, theoretical overview, as well as experiences internationally and nationally. The impact and factors of privatisation were considered here.

This chapter served as a cornerstone of the study in order to inform the researcher and readers alike in understanding privatisation worldwide and the impact of privatisation through the experiences of countries that have already gone through the process.

Chapter Three: Research methodology utilised to evaluate privatisation as a tenet of GEAR and its socio-economic impact on the poor in the Western Cape with specific reference to the township of Khayelitsha

This chapter discusses, in detail, the method of research and research design used by the researcher.

Chapter Four: Data presentation, analysis and discussion

This chapter analyses and assesses the data collected. It assessed whether privatisation has failed or is progressed. An in-depth study of the impact of privatisation is also covered.

Chapter Five: Conclusions and recommendations

This chapter serves to develop, design and suggest a set of conclusions and recommendations. It concludes with a brief summary of findings, limitations of the research as well as the consideration for future research.

1.12 CHAPTER SUMMARY

This chapter identified the scope of the study and the significance of the research. The next chapter introduces selected theories of other researchers with regard to privatisation and its socio-economic impact on South Africa and the international society.

CHAPTER TWO

THEORETICAL OVERVIEW THE IMPACT OF PRIVATISATION INTERNATIONALLY AND NATIONALLY

2.1 INTRODUCTION

Globalisation does not take place in a void. The dynamics, assumptions and factors are important to examine because of the systematic impact on developing countries. If globalisation has been a victory for neo-liberal economics within the realm of state policy-making, then it is critical to know how and why this victory finds expression in post-apartheid South Africa.

There are questions regarding the ineffectiveness of those in power who keep suggesting, that there is no alternative to privatisation. GEAR's tenets of privatisation and the impact on poor communities, deserve a special study in an unbiased and neutral way, which will avoid the polemic that follows this issue. Privatisation does not happen by mistake; it is part and parcel of a big international factor, namely globalisation, which is synonymous with internationalisation.

Globalisation, which used to be called imperialism and neo-colonialism, became the watchword of the 1990's. Therefore globalisation has made it possible to regulate or transform national and local economics, as argued by its proponents. Globalisation has disempowered anyone advocating anything remotely progressive in terms of social policy from workers rights to ecological safeguards, people-centred development, gender equality and self-reliant economics (Bond: 2000).

Sikhakhane (2001) citing Radice states that international transactions have become crucial to economic and political dynamics in many parts of the world before individual capitalism. It further reduces it to mere cross-border relations between countries, a growth of international exchange and interdependence, which assume the neutrality of globalisation as a phenomenon.

2.2 MEANING OF GLOBALISATION

Expanding on the definition in Chapter One, current definitions are littered with polemic and redundant notions. Whether defined as liberalisation, internationalisation, universalisation, or

westernisation, globalisation as a system has often escaped objective analysis and responses. In most cases the debate follows the pattern of religious dogma and ideological loyalty.

According to Suppermaniam (1999), the term globalisation, in an economic sense, can be broadly defined as a process relating to the integration of economies worldwide, where the world economy is viewed as a single market and production area with regional or sub-sectors rather than a set of national economies linked by trade and investment flows.

It implies border operations of economic activities, production, investment, financing, technology utilisation and marketing as well as easy movement of products that flow across borders involving merchandise trade, services, and labour. Competition, production and markets become global in nature and goods and services become less distinguishable or identifiable with their country of origin. At the corporate level, globalisation would refer to a process in which corporations configurate and coordinate their activities across national boundaries in order to maximise profit and remain competitive (Suppermaniam: 1999).

Sikhakhane (2001), citing Hist and Thompson has defined globalisation as a process through which an increasing proportion of economic, social and cultural transition takes place directly or indirectly between parties of different countries.

Sikhakhane (2001:1) quotes President Mbeki while addressing the national general council when he said, "this is one phenomenon we will have to ensure we understand. Whether we like it or not we are part of the world economy. We cannot cut ourselves from globalisation so that it becomes an irrelevant matter to our country". Further, Nelson Mandela has supported this by saying that "globalisation is a phenomenon that we cannot deny, all we can do is accept it."

Sikhakhane (2001) citing Taylor and Fleint has provided some elaboration of the systematic manifestation of globalisation, which identifies eight major dimensions namely:

- Financial globalisation
- Technological globalisation
- Economic globalisation
- Cultural globalisation
- Political globalisation
- Ecological globalisation
- Geographical globalisation
- Sociological globalisation

However for the purpose of this research, political globalisation, as identified by Taylor and Fleint, is the diffusion of a neo-liberal agenda, which promotes a state expenditure reduction, deregularisation, privatisation and general open economies (Sikhakhane: 2001). This is the focus of this research study.

The emergence of a new political discourse in South Africa and subsequent adoption of GEAR reveals the impact of this dimension, exercised through economic and financial globalisation. For better understanding of the subject matter a definition is needed of the term liberalisation.

Kahn (1996) explains that liberalisation is defined as market-opening measures or effective removal and control of the in-flow and out-flows of non-resident capital they can take various forms namely:

- Reduction of tariffs and non-tariff barriers;
- Deregulation of domestic regulatory measures including liberalisation e.g. relaxation of investment and capital flows between countries;
- Enhanced transparency of trade policies/regulations; and
- Trade facilitation measures (e.g. simplification of customs procedures/practices) (Sikhakhane: 2001)

2.3 FACTORS BEHIND GLOBALISATION/PRIVATISATION

The economic circumstances and factors that spur globalisation and privatisation are as follows:

- Enhanced efficiency in production has been made possible by increased specialisation. Improvements in transport, communication and information technology networks have led to lower costs of transactions and of doing business globally. This has created new ways to organise firms at a global level.
- An increased production level owing to better exploitation of economies of scale has been made possible by the increased size of the market. Greater worldwide acceptance and commitment to the free trade principle and market economy and dismantling of planned economies.
- Easy movement of factors of production across national borders.

- This has facilitated firms to locate different parts of their production process in different countries. Rapid liberalisation (dismantling and lowering of tariff/non-tariff barriers) and deregulation of trade, investment and capital flows both at national and international levels (Suppermaniam: 1999).

2.4 IMPLICATIONS OF GLOBALISATION/PRIVATISATION

The globalisation and privatisation processes can bring both positive and negative effects to the development of economies.

2.4.1 Globalisation/privatisation negative effects

The perceived loss of employment as low technology; labour intensive productions shift to low wage countries. This raises the risk of a political backlash against free trade and capital flows. The loss of sovereignty over national objectives and priorities to multilateral, global rules may cause; national priorities to be sidelined. Inadequacy and unreadiness of a domestic national capacity to participate actively may lead to marginalisation and the inability of nationals to realise the benefits of globalisation (Suppermaniam: 1999). The rapid opening of markets will result in unrestricted entry of competing products and companies. This will affect domestic industries, which are not mature enough to face the onslaught of competition (Suppermaniam: 1999).

2.4.2 Globalisation/privatisation positive effects

It provides a conducive economic and business climate, which is necessary for continuous growth. It promotes a cost-effective business environment, encourages competition and enhances efficiency. The liberalisation of trade and investment regimes, as well as the deregulation and privatisation of government business activities, generates opportunities for the expansion of trade investment and technology flows.

It obtains reciprocal market openings by trading partners particularly in the context of multilateral, regional and bilateral negotiations. It also promotes a wider choice of goods and services and reduced prices, which result from increased international competition and specialisation. It allows for greater realisation of potential economies of scale of operations, technological and productivity improvements through cross-border specialisation and the utilisation of global factors of production and technology. It allows for more productive

applications of capital worldwide, maximising rates of return on savings and investment that national opportunities are unable to provide (Suppermaniam: 1999).

2.5 POST-APARTHEID ECONOMIC POLICY: FROM RDP TO GEAR

The African National Congress (ANC) came to power in 1994 with its image of socio-economic upliftment rooted in the RDP. Fundamentally, the RDP is an anti-poverty strategy which seeks to eradicate the consequences of apartheid by meeting basic needs (RSA, 1994:9) such as investing in job creation, housing, welfare, water and sanitation, health-care, transport and land reform, which are expected to stimulate the economy through increased demand for producer and consumer goods and services. However, the financing of this increased social expenditure is inadequately dealt with.

Furthermore, future political stability is dependent upon the effective treatment of these disparities. Perhaps the most valuable input of the RDP lies in the consensus it gained across the heterogeneous population and the sense of urgency it gave to development. The comprehensiveness of the RDP removes the arbitrariness from government actions, and acts as a yardstick to assess government accomplishments. However, it should be pointed out that the financing aspects of the RDP are poorly worked out and that its value thus lies more in its vision than as an economic growth strategy (Luiz: 2002).

The RDP, although comprehensive, is too broad and attempts to be “all things to all people”. It thus ends up sounding more like a wish list. However, it acts as a useful vision and focuses the government’s attention on building its capacity, if it desires to realise its ambitions. It also puts the state at the forefront of the development process, which may be necessary, given the magnitude of the reconstruction required. It is not, however, a coherent growth strategy, as it ignores macro-economic fundamentals and fails to recognise constraints (Luiz: 2002).

Luiz (2000) goes on to say that, except for the electrification of houses, improvements in the provision of water supplies, and the primary school feeding programme, little progress was been made in meeting the first year’s targets, especially in the critical area of housing.

Blumenfeld (1996) remarks that even the previous government, which lacked legitimacy, had managed to build tens of thousands of houses each year. He comments that under-spending on RDP projects soon became a potent symbol of the government’s inability to deliver on election promises. The RDP began to suffer from a lack of credibility and, in spite continuing lip service to the RDP; President Mandela announced the closure of the RDP Office in March 1996. The

final nail in the coffin came in June 1996, when the government presented its new “growth, employment and redistribution” GEAR programme, which signalled a shift in ANC priorities towards macro-economic balance and an investor-friendly environment.

2.6 ORIGINS OF GEAR

Marais (1997) opens his analysis of GEAR by saying that it was drawn up by a cartel of progressive mainstream economists:

The committee that was responsible for drafting GEAR comprised of the following individuals: Andre Roux, (Development Bank SA), Coordinator; Iraj Abedian University of Cape Town Coordinator; Andrew Donaldson Department of Finance; Brian Khan, University of Cape Town; Ben Smith University of Stellenbosh; Daleen Smal, South African Reserve Bank; Alan Hirsch, Department of Trade and Industry; Guy Mahone, Department of Labour; Ernie van der Merwe, South Africa Reserve Bank; Ian Goldin, Development Bank of Southern Africa; Stephen Gelp, University of Durban Westville; Dirk van Seventer, Development Bank Southern Africa; Servaas van der Berg, University of Stellenbosch; Luiz Pereira Da Silva, World Bank; and Richard Ketley, Word Bank; as well as the Finance Minister Trevor Manuel then Deputy Minister, Gill Marcus and the then acting Director General of Finance Maria Ramos (Marais 1997).

The composition could portray a possibility of racial and ideological bias if race and class interests play a role in the development of policies. The racial composition of the committee cited above is telling if one has to take into account the initial goal of the ANC, the liberation of Africans in particular and black in general from political and economic bondage then it was not fulfilled as cited by Marais (1997).

Adelzadeh (1997) is of the view that the origins of GEAR is a foreign-influenced policy intended to deal with complex domestic challenges and designed to satisfy the interest of big conglomerates. It is a response to the call of the neo-liberal financial, economic and political dimension of globalisation. It further alludes that the GEAR document was derived from a single model, that of the Reserve Bank.

The document is quick to argue that the projections are broadly consistent with results obtained by using models of the Development Bank of Southern Africa, the Bureau of Economic Research and the World Bank. Disputing the imperatives of GEAR the same author in the Mail And Guardian of April 1997 stated in conclusion of his article that South Africa has the

necessary resources, but should channel them into an enhancing social well-being and opportunities for everyone (Adelzadeh: 1997).

The Urambulo (1997) states that the ANC stated that GEAR is the strategy that will ensure the creation of enough jobs for all seekers, distribution of income in favour of the poor, and a society with sound health, education and other services available to all. The same document states that these are the RDP goals and that GEAR sets out the key economic plans to achieve these goals.

Luiz (2002) criticises the GEAR argument on several grounds. Firstly, it fails to explain why the current deficit is not sustainable, either empirically or analytically, and provides no justification for the arbitrary 3% percent public deficit targeted. Since this deficit has important implications for the realisation of the RDP, the government should provide a rationale for this target. In fact, Tanzi and Zee (1996) have demonstrated that there is no ideal benchmark for budget deficits and that, under some circumstances government borrowing can contribute to accelerated growth. A relatively high budget deficit may be sustainable if it generates a higher growth pattern, which then gradually yields more public savings.

Secondly, GEAR assumes that an increase in government expenditure will necessarily drive up the interest rate, and thus necessarily crowd out private investment. While this may be true, it makes no differentiation between the types of government expenditure and leaves no room for the crowding effect. There is a growing literature that indicates that the relationship between public expenditure and growth is more complex, and that it is necessary to differentiate between the various components of government expenditure. The issue is thus to shift spending from current to capital expenditure, which, in fact, GEAR commits to, but the implementation, has largely failed thus far.

Cosatu has rejected GEAR as an unsuitable macro-economic strategy for South Africa socio-economic transformation. Certain proponents, such as Dr Peter Hilsenrath, Chief Economist, and Syfrets have sung its praises and said that it is based on sound economic principles and was compiled by well-qualified economists (Cosatu: 1997).

Marais (1997) stated that as expected the corporate sector hailed GEAR for being investor friendly and praised the manner in which it responded to many of the concerns. Biggs, (1997) states that GEAR accepts the existing structures of production, ownership and privileges of those in possession of economic resources and therefore, necessarily seeks deficit reduction by manipulating existing budgetary constraints, meaning tax breaks and holidays.

2.7 THE MAIN PRINCIPLES OF GEAR

The Centre for Research into Economics and Finance in South Africa CREFSA (1996) states that GEAR will create competitive fast-growing employment and an economy capable of achieving the goals of the RDP. The projections made are unable to reverse poverty and unemployment as cited by GEAR (1996).

As cited previously, the main components of GEAR are as follows:

- 1 A tighter fiscal policy, which was aimed at reducing the deficit to 4% of the GDP in 1997/98, and projected to fall to 3% by 1999 /2000.
- 2 The main target of the GEAR monetary and exchange rate policy is the reduction of inflation and a lower interest rate.
- 3 Encouraging export where the idea is to provide an effective exchange rate depreciation of 8.5% (GEAR: 1996).

Sikhakhane (2001) cited the explicit features of GEAR: economic growth, export orientation, privatisation known as restructuring of state assets, deregulation and trade liberalisation, and also set particular targets. It promised annual growth by an average of 4.2%, the creation of 1.35 million new jobs by the year 2000, and the boosting of exports by an average of 8.4% per year.

The basic key component of GEAR includes the following:

- Fiscal prudence and deficit reduction
- An investor friendly environment
- Export orientation growth
- Labour market flexibility
- Low or no exchange controls

It sets specific targets to achieve in five years, which includes an increase inflow of foreign direct investment to maintain inflation below 10% and to increase domestic savings growth by 6% by the year 2000 (Sikhakhane: 2001)

2.8 BRIEF HISTORY OF PRIVATISATION IN GENERAL

Bel (2006) citing Yergin and Stanislaw (1998: 115) assert that privatisation of large parts of the public sector has been one of the defining policies of the last quarter of the twentieth century. Privatisation in Chile and the United Kingdom, implemented at the beginning of the 1970s and 1980s, are usually considered the first privatisation policies in modern history

A few researchers found earlier instances. Some economic analyses of privatisation (Megginson: 2005) identify partial sales of state-owned firms implemented in Adenauer's Germany in the late 1950s and early 1960s as the first large-scale privatisation programmes. Others argue that, although confined to just one sector, the denationalisation of steel and coal in the United Kingdom during the early 1950s should be considered the first privatisation (Burk, 1988; Megginson and Netter, 2003: 31) as cited by Bel: (2006).

None of the contemporary economic analyses of privatisation takes into account an earlier and important experience: the privatisation policy applied by Germany's National Socialist Party (Nazi Party). The lack of reference to this early privatisation experience in the modern literature on privatisation is consistent with its invisibility in either the recent literature on the German economy in the Twentieth Century (Braun, 2003) or the history of Germany's publicly owned enterprise (Wengenroth, 2000) as cited by (Bel: 2006).

Occasionally, some authors mention the re-privatisation of banks with no additional comment or analysis (Barkai, 1990:216; James, 1995:291). Other works like (Hardach 1980:66) and (Buchheim and Scherner, 2005:17) mention the sale of state ownership in Nazi Germany only to support the idea that the Nazi government opposed widespread state ownership of firms. However, they do not carry out any analysis of these privatisations (Bel: 2006).

It is a fact that the government of the National Socialist Party sold off public ownership in several state-owned firms in the middle of the 1930s. The firms belonged to a wide range of sectors: steel, mining, banking, local public utilities, shipyard, ship-lines and railways. In addition to this, delivery of some public services produced by public administrations prior to the 1930s, especially social services and services related to work, was transferred to the private sector, mainly to several organizations within the Nazi Party. In the 1930s and 1940s, many academic analyses of the Nazi Economic Policy commented on the privatisation policies in Germany (Poole, 1939:2 Guillebaud, 1939; Stolper, 1940; Sweezy, 1941; Merlin, 1943; Neumann, 1942, 1944; Nathan, 1944; Schweitzer, 1946; Lurie, 1947 (Bel: 2006).

The term privatisation is hardly amenable to categorical, precise definition. It is used to describe an array of actions designed to broaden the scope of private sector market activity, or the assimilation by the public sector of efficiency-enhancing techniques generally employed by the private sector (Adams, Cavendish, Mistry, 1996).

Embodied and implicit in this general description is the idea that privatisation should necessarily entail the transfer from the public to the private sector of the ownership and control of productive assets, their allocation and pricing and the residual profits flowing from them. The underlying rationale is that consumers will benefit from the introduction or extension of market forces, reflected in the profit motive, rivalry, more choice, greater efficiency and innovation (Hartley and Parker: 1991).

Significantly, the process of privatisation characteristically conjures an existing structure of economic imperfections owing to state participation and which is inimical to free market development. Thus couched, the arguments assume the profile of essentially liberating the factors of production nationalized and state-owned from unproductive suffocation. Yet, it is arguable whether private ownership is a sole or even crucial determinant of economic performance (Adams, et al: 1996).

This is especially so, given the circumstantial origins of privatisation as a prime gospel in the realization of market efficiency. Privatisation is a policy instrument originated under circumstances so diverse and speculative as the lacunae it was intended to remedy. (World Bank:1996) Its purpose has been equally varied, ranging from Margaret Thatcher's government employing it in the containment of the perceived monopoly powers of public sector trade unions in the UK (Hartley and Parker, 1991), to Ronald Reagan's use of it as a tool for limiting government spending in the USA (Donahue: 1989).

For many countries faced with severe budgetary constraints, it was assumed that privatisation proceeds would generate valuable capital revenue to ease the pressure for expenditure cuts on basic sectors. Also worthy of mention is the helpless imposition of the International Monetary Funds' Structural Adjustment Programme (SAP) or Enhanced Structural Adjustment Facility (ESAF), with its privatisation ramifications, as a condition for debt relief or debt payment rescheduling.

Furthermore, it appears unquestionably the case that privatisation marches to a different drummer, depending on the occasion. Besides, apart from a tenuous ideological relationship to the neo-classical school, few (if any) governments have embraced privatisation with such

absolutely unshakable belief in its all-redeeming, all-salvaging capabilities. It can be said that privatisation is in vogue in many countries, not because of any deeply imbedded change in social engineering philosophy, but primarily because of many governments' financial circumstances. For some of the countries, it is a pre-condition for any kind of loans and/or financial assistance from the World Bank, the IMF, and donor countries and agencies (Ouattara: 1998).

2.9 BRIEF HISTORY OF PRIVATISATION IN SOUTH AFRICA SPECIFICALLY

The South African government has announced its plans to restructure the troubled economy. Privatisation can be used as an instrument to help realise this goal, but can never be an end in itself. When it does not lead to more productive use of resources, it can hardly be justified. The South African government is cautious when it comes to replacing public monopolies with private ones, because this could lead to a possible alienation of civil servants and a potential increase in unemployment.

Privatisation involves changes in the relationship between the government and the private sector in the areas of control, ownership, production and finance. The result should be a reduction in the size and functions of government activities in the economy. The assumption is that private management is inherently more efficient than state management. Economists in favour of privatisation also see a social welfare benefit in the process, as the spontaneous outcome of an economy organised by a network of competitive markets, free of government interference and social engineering (Brynard: 1993).

Privatisation's introduction in the South African context accepted the same arguments that were used in the international context, namely a reduction in the scope of the state's involvement in the economy, as well as job losses owing to retrenchment. Privatisation in South Africa started after successes elsewhere in the world, including those by the Thatcher government in the UK. Former State President, P W Botha announced on 5 February 1988 that the NP government planned to restructure the economy by means of privatisation (De Villiers 1988).

Privatisation in South Africa gained momentum when the National Party published its White Paper on Privatisation and Deregulation in 1987. Before that, the only major case of privatisation took place when the South African Coal, Oil and Gas Corporation (Sasol) was sold in 1979. By 1988 an Office for Privatisation had been established and numerous services, once provided by the government itself, were contracted out to private enterprises. These services

included auditing, data processing, cleaning and maintenance, and repairs to official vehicles and equipment (Brynard: 1993).

Five public enterprises were earmarked and selected for privatisation. They were South African Iron and Steel Corporation (Iskor), The Electricity Supply Commission (Eskom), Phosphate Development Corporation (Foscor), South African Transport Services (Transnet), the Post office and the Telecommunications Services. These parastatals were under the management of Minister Dawie de Villiers. Consultants and advisors from the private sector were asked to help the Minister with his evaluation of these enterprises (Sullivan, 1994). The first parastatal privatised was Iskor.

This was not a difficult task because this entity was already being managed like a private company. The privatisation was approved after three separate investigations by Iskor itself, Senbank and the Finance Bank. At the request of former Minister Dawie de Villiers, Iskor did an internal investigation in April 1988. It appointed Senbank as its private consultant and the state appointed the Finance Bank. Together these two financial institutions were asked to make acceptable price estimates. In February 1989, the state declared that it was going to privatise its shareholdings in Iskor (Saayman 1989).

Initial reactions from the employees and the management were rather sceptical. Employees feared job losses. The management realised that privatisation would not have any influence on the business philosophy of the entity, because the enterprise was structured according to the Companies Act of 1973 and was managed like a private entity. It was also decided that the shareholders' structure should be spread as widely as possible to prevent any single company or person taking control of South Africa's iron and steel production (Saayman 1989).

Privatisation contributed to the existence of a private sector monopoly the Johannesburg Stock Exchange. Four major groups, namely The Anglo American Corporation of South Africa Ltd, The South African National Life Association Co Ltd, The South African Mutual Life Assurance Society Ltd and The Rembrandt Group Ltd, dominated the Johannesburg Stock Exchange. These four groups control over 80 per cent of the shares on the Exchange (McGregor 1987).

Their investments reached into all aspects of the South African economy and there were even indications of collusion in the vast majority of the country's industries. This led to increased prices, an inefficient bureaucracy and counterproductive protective measures.

The centrepiece of this policy in the old dispensation was the White Paper on Privatisation and Deregulation in the Republic of South Africa, 1987. The White Paper offered a classic analysis of the over-burdening role of the state and its tendencies to dominate economic life at the expense of the private sector. Statistics tell a story of their own, in 1985 the public sector's contribution to the GDP was 38.1% of which the central government's consumption expenditure contributed 26% of the figure. The government was also responsible for using most of the net savings of the country, in terms of net investment, 63.7% had been channelled to the public sector and only 36.3% to the private sector in the period of 1970 to 1984 (White Paper: 1997).

White Paper (1997) argues that the then fast growing population had placed enormous strain on the public sector, causing it to expand. The problems are that public sectors were and are managed as political units and not commercially, where the important factor is a return on the investment. The economic considerations were that a sizeable state had never been exposed to the discipline and rigor of the market and price mechanism. The White Paper defines Privatisation as the systematic transfer of appropriate, functions activities or property from the public to the private sector, while production and consumption can be regulated more efficiently by the market and price mechanisms (White paper: 1997).

It is not clear if certain functions such as water provision and health were included in the potential list of privatised functions. This lack of clarity is not necessarily dispelled by the following provision: "Privatisation of a function or activity must not defeat the constitutional, social or ecological objectives served by function or activity" (White Paper, 1997:11).

The interesting aspect of the policy on privatisation was that government, unlike many of its counterparts in the developing world, conceived of the importance of restructuring before a sale is undertaken. Another unique feature of the White Paper was that government confronted retrenchment fears, and it appears as if it wanted at all costs to avoid retrenchment of government personnel, which should be kept to a minimum. This turned out to be a politically expedient ploy. The author will show this when some results of the privatisation programme are reviewed (White Paper: 1987).

This ties in with the views of Fine (1997) who states that huge state corporations were built up as strategic elements in securing the apartheid regime against the threat of international sanctions. This statement reinforces the view that government corporations were created to support the system not because of its efficiency. Furthermore, Fine (1997) continues by stating that other aims of privatisation were to provide infrastructures, economic support to large-scale private capital and jobs for working class Afrikaners.

The author also argues that in the mid-1980s, there was a shift to privatisation policies to provide the regime's short term funding, as a result of the international debt freeze of the 80s. Privatisation was also seen as removing ownership and control of significant state assets from a future democratic government.

Gouws (1989) argued strongly against the use of privatisation proceeds for future public sectors. His arguments were that if privatisation was meant to reduce the role of the state, then private sector saving should not be used to finance the continuing dominance of the state. Saayman (1989) argued that feasibility studies were necessary to determine the impact of privatisation on competition, public interest and social welfare. The authors also raised the question of health services and argue that it constituted a grey area, as there were so many people who could not afford basic health care.

Brand (1988) believes that the proceeds should be spent on the redemption of public debts, with the creation of capital funds for small business and investment in infrastructure in black communities. He further argues that the privatisation programme should be assessed on its ability to increase the efficiency of the economy and whether it has succeeded in achieving its distribution goal.

Davis (1991) argues that the shortcomings of the public provision of electricity were linked to the market structure and lack of competition. He continues by saying that there is little reason for ESCOM to remain in public hands, but that there are also other reasons to alter its ownership. In similar fashion, questions have been raised about equity and access in the wake of privatisation.

Cloete (1986) states that most analyses of privatisation regarded the retrenchment of workers as a necessary evil, yet nowhere in the analysis of the economics discussed above, does he endorse this view. However he has stated that the state should take the necessary steps to ensure that members of staff are accommodated somehow.

Truu (1988) has focused on the importance of developing competitive markets in the aftermath of privatisation. He further remarked that supporters of privatisation welcome free market participation but rarely calls for competitive markets. The author had foreseen that successful privatisation would increase the number of new corporate taxpayers and contain state expenditure via reduced subsidies. Many of the predictions of these economists turned out to

be far from reality. More than ten years have passed and many of the key targets of the privatisation policy have not been realised.

2.10 PRIVATISATION IN THE POST 1994 PERIOD

The South African government announced a six-point plan to transform the public sector on one of the points raised in the announcement concerned with the restructuring of state assets. The purpose of this exercise was to raise much needed revenue and to further the aims of Black Economic Empowerment. It brought about some problems (Makgetla: 1995). The above implied that labour preferential policy created structural problems in terms of the management of state enterprises. It meant that managers were chosen not so much for their managerial acumen, but for their loyalty to the regime (Dexter: 1994).

The result reduced efficiency and an unresponsive staff who only answered to their political superiors. The then Minister of Public Enterprises, Stella Sigcau, linked privatisation explicitly with productivity and increased efficiency (Mail and Guardian: 2002).

Dexter (1996) states that although the National Framework Agreement has laid down principles, there has been little progress in redefining the strategic orientation and direction of the state enterprises. Further he argues that in the Government many officials are of the opinion that the state needs to be subjected to pressure of the product and capital market without necessarily privatising.

In questioning the superior status of the private sector over the public sector, Dexter (1996) would be supported by a number of researchers who argue that there is little evidence to prove this. Kay and Thompson (1986), Domberger and Piggott (1986), Adelzadeh (1996) argue that state enterprises are not performing well owing to poor investment decisions, inappropriate pricing policies, managerial impediments, political interference and incapability of civil services with commercial operations. Adelzadeh (1997) recommends that privatisation should not necessarily be seen as the only way to improve the position of the state enterprises and that a cautious sectoral approach to privatisation should follow.

Chalmers (1999) argues that there are perceptions that government privatisation has moved too slowly and that it is hampered by labour. The government seems to be unable to explain the complexity of the process and the obstacles that it faces.

2.11 PRIVATISATION AT LOCAL GOVERNMENT LEVEL

There has been only limited privatisation in local government in South Africa. These privatisation efforts consist mainly of contracting out of specific activities. The only example of a complete privatisation venture at local government level is the fire and emergency services at the Benoni City Council. Contracting out of local services is a popular method of commercialisation for municipal governments (Van Rooyen 1994).

After an initial investigation into the viability of commercialising the fire and emergency services, Benoni City Council decided to give the go-ahead. The council reassured its residents that substantial money would be saved over a period of five years and the standard of the services would also not decline. Benoni Fire and Emergency Services (Pty) Ltd was created and became the first privatisation of this type in the country (Van Rooyen 1994).

The success of this privatisation initiative could be ascribed to the many advantages of entering into an agreement or contract. First of all, it means a huge saving for Benoni City Council. Benoni Fire and Emergency Services is providing services at a lower tariff than the Municipality used to. Benoni City Council promised its residents a saving of up to R15 million. A further saving on labour and capital costs will assist officials concerned with budgetary planning. All medical and pension expenses were also transferred to the private company. Furthermore, local government was provided with a steady flow of income ranging from rents paid by the Benoni Fire and Emergency Services for the use of the municipal office space to the funds generated by the ownership of shares in the private company (Van Rooyen 1994).

2.12 PRIVATISATION AND CORRUPTION

Corruption has become a major international concern. The topic of international conferences, policy forums and ministerial speeches (Hawley: 2000). There is always somebody who pays, and international business is generally the main source of corruption (Hawley: 2000).

The privatisation process itself can create corrupt incentives. A firm may pay to be included in the list of qualified bidders or to restrict their number. It may pay to obtain a low assessment of the public property to be leased or sold off, or to be favoured in the selection process. Firms that make pay-offs may expect not only to win the contract or the privatisation auction, but also to obtain inefficient subsidies, monopoly benefits, and regulatory laxness in the future. (Susan: 1996)

This is further supported by Knight (2005) who contends that privatisation incites corruption, as companies will maximise profits for shareholders and not the provision of services to the poor. The result will be job losses and increased costs of services. To inverting this statement from 1996 to 1999 more than 400.000 formal jobs were lost which was aggravated by the corruption that accompanies it. If corruption is growing throughout the world, it is largely a result of the rapid privatisation and associated practices of contracting-out and concessions of public enterprises worldwide. This process has been pushed by Western creditors and governments and carried out in such a way as to allow multinational companies to operate with increased impunity (Hawley: 2000).

Multi-nationals bribe their way to win concessions associated with contracting and privatisation. The combination of multi-national engineered corruption and that of state officials, impacts on the development and eradication of poverty in South Africa (Vinten: 2003).

Corruption is a major cause of poverty around the world. It occurs at all levels of society, from governments, civil society, judiciary functions, military and other services and so on. The impact of corruption in poor countries on the poorer members of those societies is even more tragic. The issue of corruption is very much inter-related with other issues. At a global level, the “international” (Washington Consensus-influenced) economic system that has shaped the current form of globalization in the past decades requires further scrutiny for it has also created conditions whereby corruption can flourish and exacerbate the conditions of people around the world who already have little say about their own destiny (Hawley: 2000).

The stories relating to the corruption with the arms deal, Enron, as well as Travel Gate continue to be documented. For multinationals, bribery enables companies to gain contracts particularly for public works and military equipment or concessions, which they would not otherwise have, won, or to do so on more favorable terms. Every year, Western businesses pay huge amounts of money in bribes to win friends, influence and contracts. These bribes are conservatively estimated to run to US\$80 billion a year roughly the amount that the UN believes is needed to eradicate global poverty (Hawley: 2000)

The globalisation of the economy has driven the largest companies to access international capital markets. This has produced greater risk exposures, as one enters into previously uncharted territory. Abuse and fraud, sometimes on a global scale, have led to greater awareness of inadequacies of governance, and demand for reform, and even entire models of operating within a country are up for re-evaluation. Considerable soul-searching across the world followed Enron, with endless debate as to whether “Enron could happen here”.

Sometimes the US situation was considered sufficiently different from that of this or that country as to indicate lower levels of risk (Vinten: 2003).

However there was a general recognition that mini-Enrons could well take place elsewhere, and that complacency was not a suitable response. The fact that The Netherlands is currently reeling under its own "Enron" in the shape of the retail chain Ahold reinforces this. Founded in 1887 this company is very much part of the Dutch landscape (Vinten: 2003).

SADTU (2001) reveals that a number of chief executives officers (CEO's) have grown rich since 1994 and further states that privatisation encourages corrupt practices. While CEO's earn millions at the expense of the working class, employers continue to exploit workers and retrench them. Community safety nets and the human principle of solidarity have been eroded with the introduction of the concepts and practices of excessive individualism and greed, which is foreign to Africans and Africa's values.

This has been further worsened by the introduction of fees, tariffs and poor services, which harm the quality of life for the poor. In African culture, the community has a strong influence on people's lives, particularly in improving the lives of the poorest by reducing poverty and creating an egalitarian society, which is the reason why government exists.

Jurgens (2006) citing Sapa reports that several prominent South Africans have been caught up in the arms deal controversy, including former ANC chief whip Tony Yengeni, Durban businessman Schabir Shaik, and former Deputy President Jacob Zuma. The European Aeronautical Defence Space Company (EADS) has admitted that it had "rendered assistance" to some 30 senior officials to obtain luxury vehicles. These officials included defence force Chief General Sipiwe Nyanda.

However for corruption to happen there should be a corruptor and corruptee. To prove the correlation existing between the supplier and the buyer, a practical example is the company BAE. Besides being a supplier of weapons to South Africa, BAE is instrumental in advising the country on the privatisation of the national armaments industry. In May, South Africa began wooing UK investment banks and institutional investors in a bid to raise more than £4 billion from privatisations. Up for grabs will be the country's key telecommunication companies, energy and airline assets. The government is also close to sealing a deal to get BAE to help in commercialising the South African defence industry. This is a clear sign that there is a conflict of interest (Jurgens: 2006).

Furthermore BAE has also become embroiled in India's arms corruption inquiry. A former adviser to the Indian government has claimed that BAE paid commissions to the Hinduja brothers to fix a £1 billion arms deal with the Indian air force for 66 Hawk jets. In Indonesia, corruption under the Suharto regime delivered privatised power schemes with profits guaranteed by state purchase agreements for 30 years. Popular resistance to the power price increases helped bring down Suharto, and then the collapse in the local currency made it impossible to meet the payments. In the United Kingdom, the arms manufacturer, BAE was being investigated for bribing Saudi officials to buy fighter plane, but the government intervened in the investigation citing national interests. The *Guardian* also reported that BAE gave Saudi prince a £75 million (\$150m approx) as part of a British arms deal, with the arms firm paying the expenses of flying it. This seemingly large figure is small compared to the overall deal, but very enticing for the dealmakers, and it is easy to see how corruption is so possible when large sums are involved (Jurgens: 2006).

Other well documented stories of privatisation causing corruption or its corrupt act is the case of Enron. There can be no doubt the full circumstances surrounding the collapse of the Enron Corporation have yet to be uncovered, and may never be fully uncovered. However, at present, it can be seen that the implosion of this once towering giant has left tens of thousands of investors with enormous financial losses, a large number of Enron employees without jobs, and their entire pension savings eliminated (Inounye: 2002).

Enron was the seventh largest corporation in the U.S. It was considered one of the most aggressive, successful, and politically well connected. It made close friends with high officials in the U.S., Britain, and India. Rivals and enemies accused Enron of exploiting the confusion in newly deregulated utility markets for electricity, natural gas, water, and fiber-optic communications. Its accounting practices deliberately obscured profit and loss to confuse stockholders and regulators. The lesson learned from this case is claims that privatisation is non corrupt and is creating jobs and more efficiency is not true in its entirety (Rothwell: 2002). To illustrate the gravity of the problem see the table below.

Table 2. 1: Corruption convictions and admissions involving multinationals

Year	Country	Company	Sector	Details	Source
11999	Pakistan	SGS	Inspection services	Former prime minister of Pakistan convicted of receiving bribes worth US\$9m from SGS subsidiaries for inspection contract.	<i>ABIX 26.04.99</i>
11999	UK	GEC	Defence	GEC admit paying commissions for arms contracts from two countries.	<i>Guardian 5.03.99; 6.03.99</i>
11998	Belgium	Agusta, Dassault	Defence	Willy Claes, former Nato secretary-general, given a suspended three-year prison sentence yesterday after being found guilty of accepting bribes totalling more than £2 million paid by the Italian helicopter manufacturer Agusta and the French firm Dassault to secure contracts to supply the Belgian armed forces in the 1980s.	<i>Guardian 24.12.98</i>
11997	Europe	Group 4 Securitas	Security	European Commission admits that Group 4 obtained BFr600m security contract for Brussels EU buildings in an irregular manner.	
11997	USA	SmithKline Beecham	Healthcare	SmithKline paid US\$325m damages to US government insurers Medicare and Medicaid for overcharging between 1989 and 1995. Private insurers also sue alleging corruption.	<i>Independent 22.8.97</i>
11996	Singapore	Siemens, Pirelli, BICC, Marubeni, Tomen	Utilities	Singapore's bans five multinationals from bidding for any government projects for five years after their consultant is convicted of paying bribes for utilities contracts.	<i>FT 16.2.96</i>
11996	France	Generale des Eaux	Water	Two Generale des Eaux executives admitted making	<i>FT 10.10.96</i>

				payments to elected officials on the French island of La Reunion in return for a water deal.	
11995	France	Lyonnaise des Eaux	Water	Prosecuted for paying bribe to mayor of Grenoble to get water contract. Also investigated for other allegations of corruption.	<i>Various</i>
11993	Taiwan	Brown & Root (Halliburton)	Waste Water	Seven people sentenced to prison for up to 15 years for corruption over a US\$173 million wastewater plant contract. Brown & Root sacked from contract, lose performance bond.	<i>China Econ News Service 27.11.93; 6.4.94</i>

The list above excludes current convictions in South Africa and in the rest of the world.

Hawley (2000) stated that rich countries, also suffer from corruption. Examples are also numerous and beyond the scope of this page to list them here. However, a few recent examples are worth mentioning because they are varied on the type of corruption involved, and are very recent, im

- The first example is the US government, accused of outsourcing many contracts without an open bid process. Jim Hightower notes, “An analysis by the Times found that more than half of their outsourcing contracts are not open to competition. In essence, the Bushites choose the company and award the money without getting other bids. Prior to Bush, only 21% of federal contracts were awarded on a no-bid basis.”

Another example is Italy, where former Italian Prime Minister Silvio Berlusconi and some of his close associates were held on trial for various crimes and corruption cases (though Berlusconi himself has not, to date, been found guilty of any charges). Many key teams in the massive Italian

- Soccer league, Serie A was also found to be involved in a massive corruption ring.

Furthermore and to make matters worse international institutions that we should trust such as the United Nations and World Bank have also recently come under criticism for corruption, ironically while presenting themselves in the forefront fighting against corruption.

- The recent example with the UN has been the oil for food scandal, where the headlines were about the corruption in the UN. In reality, the figures of \$21 billion or so of illicit funds blamed on the UN were exaggerations; it was \$2 billion; it was the UN Security Council (primarily US and UK) responsible for much of the monitoring US kickbacks for corrupt oil sales were higher.

At the World Bank, headlines were made when its recent president, Paul Wolfowitz, was forced to resign after it was revealed he had moved his girlfriend to a new government post with an extremely high salary without review by its ethics committee. Paul Wolfowitz's appointment was also controversial, due to his influential role in architecting the US invasion of Iraq. A former member of staff at the World Bank also noted concerns of cronyism related to Wolfowitz's appointment way before the scandal that forced him to resign.

While the US typically gets its preferred nomination to head the World Bank, Europe has typically got its preferred person to head the IMF. Critics have long argued that this lacks transparency and is not democratic. While not illegal as such, it does feel like a form of corruption. The same institutions who made the corrupt loans to Zaire and lent for projects in Africa that failed repeatedly are still in charge, but their role has been enhanced because of their success in pushing loans. Can we trust these institutions (Hanlon and Pettifor: 2000). The positive effects of prudent use of loans in any progressive society are reflected in the improved standard of living of its citizens.

2.12 THE IMPACT OF CORRUPTION ON THE ECONOMY

Hawley (2000) also lists a number of impacts that multinationals' corrupt practices have on the "South" (another term for Third World, or developing countries). The author contends that corruption

- Undermine development and exacerbate inequality and poverty.
- Disadvantage smaller domestic firms.
- Transfer money that could be put towards poverty eradication into the hands of the rich.
- Distort decision-making in favor of projects that benefit the few rather than the many.
- Increase debt;
- Benefit the company, not the country;
- Bypass local democratic processes;
- Damage the environment;
- Circumvent legislation; and

- Promote weapons sales

Note that the reverse of these negative retrogressive and destructive elements automatically translate to reduced poverty status, reduced inequality and strengthens constitutional national economies in the South.

2.13 PRIVATISATION AND COMMERCIALISATION IN SOUTH AFRICA

For a public enterprise to privatise, it needs to go through three phases. The entity should first be corporatised, secondly commercialised and then it can be privatised. Van Rooyen (1994:9) citing Weeks (1990:5-233) defines corporatisation as follows: “[the] creation of a state owned corporation by legislation and the [corporatisation] could take the form of registration as a statutory company, owned by the state.” Here the emphasis stays on the government, because it is still in control of the company

Commercialisation can be defined as a process directed at establishing private sector management principles, values, practices and policies within the public sector organisation. It is important to note that here the private sector will deliver the service while the company remains under the management of the public sector (Van Rooyen 1994). Privatisation can be seen simply as the transfer of public sector responsibilities to the private sector. Privately owned companies will manage all former public enterprises and shares in these companies will be traded on the Johannesburg Stock Exchange (Van Rooyen 1994).

2.14 NATIONALISATION VERSUS PRIVATISATION

According to O'Malley (1998) nationalised industries failed in their objectives of serving the community for a range of reasons. For example, their management was inevitably subject to political interference. This often resulted in sub-optimal pricing and investment decisions, while simultaneously demoralising managers and encouraging confrontational rather than co-operative industrial relations.

When examining the need for privatisation, it is necessary to first look at the nationalisation process, which predated and created that need. One can only privatise what has first been nationalised. Nationalisation was intended to encourage cooperation in society, to encourage social equality, to ensure that the means of production were fully used to the best advantage of all those concerned, and to promote an industrial democracy through community ownership. On the other hand, nationalisation does not necessarily provide the best stimuli for development,

because there are no incentives for good performance due to the lack of competition. Nationalisation also implies that owning private property is undesirable. Markets will allocate goods incorrectly and income and wealth distribution will be unequal. All of this is caused by the fact that economic power will be in the hands of those who also have political power (Jonker 1988)

Conversely, privatisation will protect private property rights while stimulating competition between corporations. The overall objectives of privatisation are to increase the performance of the economy by improving utilisation of resources, encourages optimal functioning of market forces, facilitating the development of small businesses and creating more opportunities for members of all population groups to participate in the free enterprise system to the full extent of their ability (Jonker 1988).

The present South African government has specific reasons for adopting the privatisation option. For one, funds are needed for the development and upliftment in terms of the Reconstruction and Development Programme (RDP). Secondly, funds are being wasted on subsidising unprofitable enterprises such as the Post Office. The scope of the Johannesburg Stock Exchange must be expanded. Most governments, such as the Netherlands and the UK, are privatising their power companies with great success (Sullivan 1994).even so; the lives of ten of thousands may have been distorted or ruined with unpredictable consequences by initial retrenchment that preceed major privatisation exercise around the epoch.

2.15 EXPERIENCE OF PRIVATISATION IN DEVELOPING COUNTRIES

This section reviews the impacts of privatisation in two broad spheres of concern:

- The public services because of its implications for the poor;
- Whether it creates jobs for citizens rather than losing them

If the objective is the improvement of services and living conditions for the poor and vulnerable in the communities served, and in order to achieve such objectives it is necessary to create more jobs, then the objective is not being met. If the objective is the establishment of economic stability and growth, with an increase in social well-being, then the objective is not being met.

MacCuish (2003) states that privatisation is not a recent phenomenon, nor is it being applied solely within developing nations. The catastrophic worldwide recession during the late 1970s, the crushing debt crisis faced by many African and Latin American countries in the early 1980s, and the transition to market driven economies in Asia, Eastern Europe and Latin America during

the early 1990s have combined to highlight the critical issue of inefficient state enterprises and have prompted a shift towards harnessing the private sector in the pursuit of economic growth. Canada and the United States have deregulated extensively from the late 1970s onwards. Western European countries, notably Germany, France and the United Kingdom, began relinquishing control of public utilities in the early 1980s.

According to Otenyo (2003) the 1980's experienced unprecedented waves of privatisation. Several authors including Savas (1977) and Davids Linowes (1988), in widely circulated books reinforced the prevailing belief that the private sector was superior to the public sector in the delivery of goods and services. They preached that big government meant waste, intrusion into private space and danger to democracy. Africa was not left behind in this moral crusade. Furthermore, Margaret Thatcher and Ronald Reagan (past United Kingdom and United States leaders respectively) had prepared the public for the ultimate ideology of crucifixion of big government, when they introduced privatisation in response to nationalisation.

In support, Mutume (1998) argues that big government conglomerates mean waste, intrusion into private space and danger to democracy. The promise of improved government through privatisation was morally imperative for another reason, which is that of improving profit and expanding its market.

Anderson and Hill (1996) and Hodge (2000) are among the leading spokespersons for the school of thought who is of the view that privatisation; in its various forms and the development of the capital market will be a primary catalyst for growth and globalisation well into the twenty-first century. Even though this is challenged by a host of authors and scholars including Donahue (1989), Hula (1988) and Kent (1987), the proponents won the ideological campaign, which Otenyo (2003) purports.

According to Otenyo (2003), privatisation promotes national dependency on increasingly integrated, globalised centres of accumulation. Despite the intention and statement from the government on its efficiency, effectiveness and capability to create jobs, it is ironic that experiences show that, in communities across the globe, privatisation has not benefited the masses but added to their losses.

According to Bhorat, Leibbrandt, Mazya, Van der berg and Woolard (2001), there has not been a generalised improvement in the quality or availability of services. The removal of services and ownership from the hands of impoverished communities has repeatedly resulted in the decline in access to public services. Further the researchers on their Municipal Services Project (2005)

states that studies have proven that in South Africa the causes of poverty illustrates that unemployment is indeed the primary cause of poverty in South Africa (Bhorat, et al: 2001).

According to COSATU (2001), GEAR and privatisation has failed to reduce the legacy of inequality and poverty that was inherited from apartheid and has even failed to meet its growth, employment and private investment target. Instead, it subverted progress on the development front to the goal of pursuing the macro-economic policy that is demanded by neo-liberal macroeconomics and the international investment community. Cassiem and Streak (2001) support this idea. In discussions of their child poverty study in 1990, this found that 30% percent of the people were living in households that often go hungry.

Vorhies (1990) states that South African government institutions, if privatised, will produce all the rewards that are associated with privatisation such as the generation of revenue for the state, improving efficiency, broadening participation in the capital market and removing politics from business. Furthermore, he states that by transferring economic sovereignty, the major beneficiaries will be its people. Vorhies (1990) also argued that many fear that it will merely turn public monopolies into private ones, thus raising the question about what benefit it brings to the public. It also raises questions that relate to the reasons why the government is in power and what its role is.

MacCuish (2003) however, states that international financial institutions, such as the International Monetary Fund (IMF) and the World Bank, have used their considerable power as providers of finance and arbiters of the main international debt relief programme to lead the push for privatisation. Privatisation of public services and natural resource extraction is now a central component of the IMF and World Bank programme and project work in developing countries. For most impoverished countries, it is a condition for development assistance and debt relief. The institutions are committed to privatisation as the primary method of economic reform, arguing that the performance of privatised firms is superior to that of state owned enterprises.

Privatised institutions make broad assumptions of benefit but often neglect to adequately consider local conditions, especially social and environmental vulnerabilities that are not reflected in cost efficiency analysis. Most developing countries have put up for sale, or are planning to offer, hundreds of enterprises to private ownership. These involve an array of firms in many sectors, with varying degrees of operational efficiency (MacCuish: 2003).

The impetus of neo-liberal economics in the United Kingdom and the United States of America has been to redefine the scope of the state in order to dislodge it from the preponderant positions, and to confine it to clarity (Esser: 1993, Foster: 1993, Spulber: 1997).

Spulber (1997) argues that the same approach has been advocated for the developing economies of the world, although the latter have faced unique problems. The disintegration of the Soviet Union, where a number of difficult policy decisions had to be made, represents a good example of dilemmas in the developing world. The Soviet Union had to choose between a “shock therapy” that meant rapid price liberalisation and privatisation and a gradualist process of preliminary legislative and restructuring measures.

He further states that the difficulty of accepting shock therapy is that many of the states, in transition, are not strong enough to deal with the instability that unemployment brings. Leaving no choice but to choose the route of mass privatisation, which basically meant the availability of vouchers that could be traded for shares. One of the results of this privatisation process has been the establishment of what is known as *nomeklatura* capitalism (Spulber: 1997). Those are some of the problems left behind with the disintegration of the Soviet Union and with the advent of privatisation programmes. The rapid transformation of the Russian economy brought with it a number of negative economic and social problems. In 1995 the Russian Gross Domestic Product (GDP) was only 50% of what it was in 1989, when economic reform began (Spulber: 1997).

Poverty levels increased, which led to social tensions that hindered the pace and the extent of reform. Currently, the projections are massive long-term unemployment. Spulber (1997) concludes by saying that for countries in Eastern Europe, privatisation is no longer the final solution because the new regimes are not able to cope with the economic uncertainties of economic reforms.

Shafik (1995) states that a political process that aimed to undo the foundations of the erstwhile communism system drove the privatisation process in the Czech Republic and the Republic of Slovakia. The purpose of privatisation was merely to transfer state property to private individuals. This means that no restructuring of state-owned enterprise was undertaken. There were no attempts by these two governments to restructure the enterprises financially or in relation to labour, prior to being sold (Shafik: 1995).

Shafik (1995) also states that many of the high priced privatised firms in the Czech Republic and the Republic of Slovakia had relatively small, though productive labour forces. There were

thus fewer problems with redeployment in the event of the restructuring exercise. In spite of the intention to popularise privatisation, most shares ended up in the hands of institutional investors. This experience has been found in many countries, and the author asserts that mass privatisation is merely a ploy by the government to get the consent of the people.

Pinheiro and Schneider (1995) argue that those fiscal crises are one of the most important reasons why governments in the developing world are intent on privatising. The argument is that privatisation is seen as part of the fiscal solution because it frees up resources that have been devoted to the controlling and monitoring of state owned enterprises. They argue that in developing countries, a fiscal crisis accompanies privatisation, but post hoc analyses have shown little direct fiscal contribution.

The Chilean Government began its privatisation programme as early as 1973, and after the completion of the two phases, they reduced state owned enterprises to a total of 48. The purpose of privatisation was to cut personnel, to emphasise a non-commercial focus and to expose the state enterprises to the same market rigours as private companies. The initial phases were successful and the state owned enterprises contributed handsomely to the surplus on the Gross Domestic Product and transferred taxes and dividends equal to 7.8% of Gross Domestic Product (GDP) (Pinheiro and Schneider: 1995).

With the economic crisis of the 1980s, many of the privatised conglomerates in Chile were re-nationalised, the advent of the third and fourth phases of privatisation made revenue generation from privatisation less important. The goals were now that of diversifying ownership, developing the capital market and reducing the public debt (Pinheiro and Schneider: 1995).

The important point that Pinheiro and Schneider (1995) makes is that revenue becomes significant only when expenditure has already declined. They add that in comparison, privatisation in Brazil in 1980 was slow, and this was because of the restructuring of state owned enterprises, debt to the government, curbing investment and current expenditure, and the imports of enterprises.

In 1989, President Collor Brazil expanded the privatisation programme to traditional state owned enterprise, and the authors state that this effort is likely to be extended to public utilities, transportation, and communication. The Brazilian government mostly used the proceeds from privatisation to reduce the public deficit. Privatisation, according to the authors, had little impact on the fiscal balance and macro-economic stability (Pinheiro and Schneider: 1995).

The World Bank's assessment indicates that Ghana is considered to be the most advanced country in Africa in terms of removing trading barriers. Closer to Southern Africa is the experience of Ghana, which in the eyes of many commentators represents the quintessential example of successful economic adjustment in Africa. The privatisation of state owned enterprises rank as one of the country's finest achievements (Lall: 1995).

The question is whether the opening of trade barriers means progress to people or profit to the investor. Privatisation will allow capitalist control of conglomerates and the economy. Most of the government enterprises operate in the manufacturing sector, and this is the sector that the World Bank made part of its assessment.

Novete, Maasdorp and Thomas (1997) assert that even though big businesses advocate rapid privatisation to ease financial pressures and increase efficiency, they question whether the benefits can be reaped and at the same time whether the social aims of government in terms of service provision and employment can be preserved. It is argued that social aims that are normally under the government's responsibilities are seldom abandoned completely and the incapability of the private sector to meet the social objectives of parastatals is questionable.

Lall (1995) says that the World Bank recorded growth of 4.5% for the period 1987-1991. The decision to open to international competition meant declined levels of output and growth in the manufacturing sector from 5.1% to 11% in 1992. The state owned enterprises that were operating in these manufacturing sectors did not have the technical capability to compete with mostly first world countries.

One of the problems that Lall (1995) identifies is the inability of the manufacturing sector to diversify, and to use the advantages of cheaper labour in Ghana. Adding to the woes of industry was the fact that the manufacturing sector has not developed additional technical abilities to compete effectively. There were absolutely no policies to up-grade skills, nor any mention of technical information and support to boost ailing production. The important point is that if privatisation does not consider the issue of technical transfer, then one literally has a transfer of poverty and genuine property.

Lall(1995) cautions in the end that structural adjustment programmes should be pursued more gradually and that there should be greater control strategy and government involvement. Even though it is not directly the case in South Africa, Di Tella (1992) makes the point that Chile and Brazil were always champions of neo-liberal economic reforms, but that this was prevented in Argentina as a result of Peronist political traditions. It took the government of President Menen

and the technical artifice of Covallo to turn Argentina towards the policies it once rejected. The authors believe that privatisation is proceeding fast and that there is no real political force that genuinely opposes it. Both the radicals and the Peronist trade unions are said to be in two minds about the process, and with the resounding electoral success, it appears as if resistance to privatisation has completely disappeared.

Di Tella (1992) states that those unions that were fundamentally opposed to privatisation failed to garner the protest vote partly out of disunity and to the hesitancy of discontented Peronists to break away. One of the reasons why trade unionists did not break away is of course for reasons of material and political benefit.

Kloc (1992) has said that at the end of 1990 to 1992 when the social attitudes of most Polish people began to change dramatically. Strike activity during this period was the most visible manifestation of this discontent, and it occurred in the state railways, mining and the local inter-city transit systems. From 1998, most people in Poland were willing to swallow the bitter pill of economic reform.

The workers were all in privileged positions, and so when reform began to make a serious impact, they focused the strikes on the austerity programmes that the government had implemented in state-owned enterprises. The privatisation process in Poland represents perhaps the most fascinating account of evolving battles between government and labour (Kloc: 1992).

Kloc (1992) asserts that the government's main intentions in state enterprises were to lower production costs, alter the production profile and decrease the personnel. The restructuring of the state owned enterprises were supposed to take place at plant level, but management and workers pulled together against the government. Management was hesitant to carry through with the massive lay-offs that had guaranteed the peace between management and workers. The first strike in the privatised plants took place in 1991 and so demolished the myth that privatisation would cure all companies problems and increase the wages of workers.

Kloc (1992) states that strikes were continually directed at those firms that were in the process of important battles, which were fought about the allocation of the cost of economic restructuring and the distribution of resources left from the old regime. Workers have apparently succeeded in highlighting the plight of unemployment that workers feel had been neglected in the privatisation exercises.

Kloc (1992) states that the unions in Poland are currently entangled in two models of behaviour, which are the so-called grievances and participatory model (Marciniak: 1992). The former model simply refers to the confrontational demand to redress grievances, while the participatory model sees the unions as dialoguing with the government on privatisation. The author criticises the participatory model because the unions are refused the opportunity to help in the determination of the pace and direction of economic reform.

Marciniak (1992) does not necessarily argue against privatisation, but he accuses the unions of lacking specific positions on this contested issue. The author indicates that there is a huge amount of state property that still has to be distributed, and the future of privatisation depends on how this property distribution takes place. He argues that the result of privatisation can either be the empowerment of a few individuals, or it can lead to a society dominated by the middle class.

It appears from this short review of the experiences of developing countries that there were a number of unanticipated consequences of privatisation. The scourge of unemployment and the attendant social tensions that accompany this loom very large for prospective privatisation.

Dhanji and Milanovic (1991) argue that many of these countries, especially those from the communist block, lacked a legal framework in which privatisation could take place. In most of these instances, constitutions were amended to allow for private property, while commercial laws had to be updated and competition legislation had to be introduced.

There were also questions about the ability of undeveloped local capital markets to absorb the new trading in shares. In terms of the South African situation, many of these concerns are not present as a result of the good banking and financial infrastructure. There is however a lack of formal legislation and the Minister of Public Enterprises has introduced laws to guide the privatisation experience in South Africa. In order to develop a proper perspective on the current privatisation situation in South Africa, it is necessary to revisit the short history of privatisation prior to 1994 (Chalmers: 1999).

2.16 SOCIO-ECONOMIC IMPACT IN SOUTH AFRICA

In order to comprehend the depths of the impacts of privatisation on the poor communities one needs to first understand the government's reason to privatise. From that, one should be able to assess whether it has failed or succeeded in achieving its pre-conceived objectives. According to Steak (2004), GEAR promised to reduce poverty and inequalities via a surge of economic

growth. It further states that the key objectives were economic growth of 6% in the year 2000, inflation of less than 10%, employment growth, and increased efficiency and effectiveness in services delivery. very noble intentions on the surface.

Privatisation has the effect of:

- Undermining democracy and accountability to the people;
- Enriching elites;
- Encouraging corrupt practices by many companies bidding for the public spoils;
- Eroding community safety nets and the human principle of solidarity by introducing the concepts and practices of excessive individualism greed, and
- Providing higher fees/tariffs and poorer services harming the quality of life for many (SADTU: 2001).

SADTU's (2001) media release states that the privatisation of water excluded the poor households from access to safe drinking water. Furthermore, there could be losses of services, which are the most contentious issue when public services like water are privatised.

Water (1987) further supports it by saying that in South Africa, 92,772 households have had their water cut off, because of non-payment. From 1996 to 2002 it included 75,400 in Cape Town and Tygerburg. The same article further states that privatisation of electricity is often justified by pointing to the state's inefficiency to collect revenue. As a result, the enforced collections of bills in the poorest communities have severe social impacts because it leaves them without electricity. Thus the question remains: Who really benefits from privatisation?

Macdonald (2002) cited a survey by the HSRC in mid May 2001 that investigated the privatisation of municipal services. The results were as follows: 62% disagreed, 17% were in favour and 21% were uncertain. Finally the current privatisation wave implies a move towards a dangerous anti-people programme, which controls the very essence of humanity.

Mutume (1998) states that the forces of globalisation had made it incumbent upon the new government to carry out budgetary reforms, gradually relax tariffs and exchange controls, and introduce labour market flexibility. What this means is that the power of the unions was slowly being eroded, jobs were being lost and the value of the Rand fell, raising the cost of living.

In 1996, more than 71,000 jobs were lost in the formal economy compared to the 126,000 GEAR envisaged and in the previous year, 100,000 were lost. Real GDP has grown sluggishly by about three percent in 1996 below the GEAR target. GEAR envisages growth rates of six percent by the turn of the century, by which time 400,000 jobs were expected to be created annually (Mutume: 1998).

The extent of the marginalisation of poor people from the formal mainstream economy and opportunities for income generation is of a level that demands that successful interventions must address issues of distribution of resources in this country. There can be no cheap and painless quick fix. Effective policy solutions need to be informed by the historical causes of inequality, as well as the ongoing impact of intergenerational poverty and dispossession, and need to address class as well as racial inequalities. Of a population of 46 million people in South Africa, 48.5% of people were living in poverty in 2002 according to the national poverty line of R354 per month per adult equivalent (1995 value).

In 2002, 23.8% of people were living on less than two US dollars a day, and 10.5% on less than one US dollar a day (UNDP, 2003). In 2004, 41% of working age people were unemployed (Mutume: 1998).

Knight (2001) acknowledges that the government has significantly lowered the budget deficit and inflation. But South Africa's growth rate remains at about 3%, far short of the 6% goal, which is seen as necessary to reduce unemployment. According to Western Cape Provincial Treasury (2005), South Africa's economic growth performance has improved over the past decade to an average of 2.9 per cent over the period 1994 to 2003 compared to 1.1 per cent of the preceding decade.

However, the same report states that unemployment remains one of the most pressing socio-economic problems facing South Africa. It further argues that social ills such as poverty originate from lack of employment, which creates inequality. Further the same source states that official unemployment rates in 1995 was 17%; in 2000 it stood at 26% and 36 % rising further to 42% in 2003, and declining to 30% in 2004 (Western Cape provincial treasury: 2005), which means that unemployment is increasing overall, and jobs are not being created as predicted.

Since partial privatisation and full commercialisation, Telkom has increased its tariffs for services used by poor households whilst it has decreased rates for rich families and businesses especially with regard to international calls. At the same time, employment has been

reduced. Privatisation can only worsen the conditions of the majority. Privatised social services promote national dependency on an increasingly globalised world and centres on accumulation and global market forces, which impose conditions to invest. The evidence suggests that privatisation undermines democracy and makes capitalism look good, but that it does little to alleviate poverty. It has not led to the empowerment of the indigenous private business sector. It contends that companies benefit economically and the GDP increased but this is because of the accumulation of capital (Knight: 2005).

The privatisation of state enterprises and basic services in South Africa will result in the majority of poor people being unable to afford services and therefore will die of illnesses such as cholera, as they will not be able to pay for clean water. In some cases, privatisation has had deadly consequences. The worst cholera epidemic in South Africa's history broke out after water supplies were privatised, and made unavailable in poor rural communities (Cosatu: 2001).

The cholera infected 160,000 and killed some 200 people between October 2000 and early 2002. Water had been provided to the communities without charge, even under the Apartheid regime. Water supply was cut off when local residents could not afford to pay the rates the new owners began charging. As a result of the rate increases, poor people began to use other unsafe sources of water. The privatisation of water did not bring an improvement of service. Instead, it brought disease to thousands and death to hundreds. It has brought death to other parts of the world too (Cosatu: 2001).

In the same article, Cosatu said that the privatisation of government services has meant rising prices and worse provision for the poor and working people. It claimed that privatisation would undermine the government's capacity to overcome the legacy of apartheid, which has left most communities with poor roads and a shortage of housing, piped water, electricity, refuse removal and sanitation. Privatisation reduces the government's capacity to overcome these shortfalls, which aggravates the inequalities between the rich and the poor. It also states that the rich can pay for improved services, such as education, health and transport, while the poor are left to face cut offs and soaring bills (Cosatu: 2001).

MacCuish (2003) states that union leaders in Columbia are being assassinated for their opposition to privatisation of public services. Teachers are gunned down for opposing corruption, or cutbacks in education budgets. City workers are killed for voicing opposition to a private takeover of municipal services. Each year, more union workers are assassinated in Columbia than in the rest of the world put together. In India, poor people have been denied health care when clinics were privatised. Those who are denied access, continue to suffer and

eventually die, since they are excluded from a health care system that is increasingly elitist. Doctors who challenge the privatisation agenda have been targeted by security agencies. They have been arrested and their offices raided.

The privatisation of electricity can mean that the urban wealthy and middle class neighbourhoods can hope for improvements to services, which are justifiably, criticized as unreliable. Poor communities and especially the rural poor, on the other hand, will not benefit from privatisation of the services they might otherwise expect (MacCuish: 2003).

A review of the experiences in communities across the globe reveals that poorer communities not only have not benefited from privatisation, but that people in these communities had the most to lose in the first place. In many cases, they did not gain anything at all, but lost access to services. In some cases, the poor lost access to a service they had come to rely upon (MacCuish: 2003).

In looking at instances of privatisation globally, there has not been a generalized improvement in quality or the availability of services, or other benefits to communities that are economically disadvantaged. In case after case, the conclusions reached are that the removal of services and ownerships from public hands in impoverished communities have repeatedly resulted in a decline in access to public services, and a removal of national control over the natural resources that could play a prominent role in the economic development of impoverished nations (MacCuish: 2003).

2.17 CAUSES OF THE PRIVATISATION MOVEMENT

First and foremost the privatisation movement in South Africa was caused by both external and internal factors.

2.17.1 Internal factors

According to McGregor (1987), the concentration of control in the private sector in South Africa was in the hands of the following groups who control 80% of the Johannesburg Stock exchange:

- The Anglo America Corporation of SA Ltd
- The South Africa National Life Association Co Ltd
- The South Africa Mutual life Assurance Society Ltd

- The Rembrandt Group Ltd

These companies played a role in influencing the economic policies of the country. Economic power is one factor. The spread of their investment extended to all spheres of the South African economy and despite lip service to decentralise control, the indication was that there is collusion in the vast majority of the country's industries. These increased prices, encourage and led to collective pressures on the state to introduce counter-productive measures.

Due to pressure from financial institutions such as the World Bank and International Monetary Fund, governments are forced to adjust and review their policies to accommodate these institutions. It has now assumed precondition for recognising any country as a constitutional democracy otherwise, the sovereignty will be labelled communist.

Technological factors also play its role in influencing change in policy making and policy decisions. Competitiveness increases the need to find better ways to provide services, augment efficiency and effectiveness with the help of new technologies (Megginson and Netter:1997).

2.17.2 External factors

One of the most significant economic phenomena of recent years has been the privatisation of state-owned enterprises all over the world. According to Megginson and Netter (1997), the amount raised by all governments during the last two decades, considering only public offers is over \$400 billion, a figure that would be considerably surpassed if direct sales were also taken into account. While there are several possible reasons why privatisation may be undertaken, the main driver of this trend has been the search for an increase in the efficiency of the firms involved (Megginson, Nash, Van : 1994). Not excluding accumulation of profit at any cost to the country in question.

One of the factors of external pressure, poor advice from multinationals the self-interest based on the nature of western bilateral donors and the structures of global economies have badly affected developing countries. They also continue to buy cheap and sell at high prices. Political factors are in the form of pressure from super-power countries pursuing economic interest in some specific conglomeration in order to benefit the countries. Economic factors are when the economic interest of conglomerates, other institutions and decisions taken affect the policies and citizens interest (MacCuish: 2003).

The structural adjustments that the International Monetary Funds (IMF), World Bank, and G8 required of certain countries go beyond the simple imposition of a set of macro-economic policies at a domestic level. It is a political project and conscious strategy of social transformation at a global level to make the world safe for transactional corporations to facilitate the process of globalisation or neo-colonisation through liberalisation and deregulation and to reduce the role of the state in national development. Another factor is globalisation with its multinational companies who pressurise governments to relax labour law policies and force them to privatise (MacCuish :2003).

The idea was that nationalised industries were inefficient. This argument derives from a branch of economics called public choice theory, which models all the actors in a government, the voters, the politicians and the bureaucrats as acting in a self-interested fashion. Governments have few incentives to ensure that the enterprises they own are run in the interest of efficient use of resources, or even in the interest of clients. In principle, this problem could be overcome by telling managers to maximise profits, and so find the least cost method of producing and keeping the customers happy. In the United Kingdom, many of the nationalised industries were operating at a loss, thereby suggesting inefficiency World Economy since 1945 (undated).

The second argument was that this relied on the taxpayer to cover the losses. The proponents of privatisation questioned said that they would release tax revenues to pay for essential government services or to reduce government borrowing. A third argument against state ownership was a reduction in the possibility of corruption. While a fourth argument was that state-owned industries, relying on government political finances, were starved of investment funds World Economy since 1945 (undated).

2.18 OTHER METHODS OF PRIVATISATION

Public enterprises have been an indispensable component of national, socio-political and economic engineering, regardless of whether they fall under the so-called command economies or the capitalist frame. These are, in turn, driven by national value systems that dictate development thrusts and imperatives. National governments make such purpose-critical decisions by embracing certain economic and social objectives and values towards which societies collectively strive.

According to McGregor (1987), states that there are various ways to privatise:

- The sale of public sectors enterprises and its assets;
- Partnerships between public and private institutions;

- Leasing of business rights by the public sector to private enterprise;
- Contracting out specific activities to private sector suppliers;
- Disconnecting a service or activities provided by the public sector on the assumption that it will improve if supplied by the private sector

2.19 PRIVATISATION: EIGHT LESSONS OF EXPERIENCE

1. According to World Economy since 1945 (undated) privatisation works best when it is part of a larger programme of reforms, which promotes efficiency. New Zealand, the United Kingdom, Mexico and Chile are all successful examples of privatisation. Their privatisations were accompanied by reforms to open markets, the removal of price and exchange rate distortions and the encouragement of the development of the private sector through free entry. Revenue maximization should not be the primary goal of privatisation. It would be better to eliminate monopoly power and unleash potentially competitive activities than to boost the sales price by divesting into protected markets. It would also be far better to create regulations to protect consumer welfare than to maximize prices by selling into an unregulated market.
2. Regulation is critical to the successful privatisation of monopolies. In the sale of Chile Telecom, everybody won including consumers, labour, government, and buyers. The productive efficiency of the company increased as a result of a well-developed, well-administered regulatory framework.
3. Countries can benefit from privatising management without privatising the ownership of assets. Management contracts, leases and concessions have been successfully used the world over, particularly in sectors where it is difficult to attract private investors. In Côte d'Ivoire, the leased water company improved technical efficiency, increased new connections, became more efficient in billing and collection of receivables and reduced the number of expatriate employees by 70%. However because a change in ownership is usually needed to lock in performance gains, private management arrangements are likely to work best when they are a step towards full privatisation.
4. The sale of large enterprises requires considerable preparation. Successful privatisations of large enterprises have entailed breaking them into competitive and marketable units (in Argentina and Mexico), bringing in dynamic private sector managers (in many telecom and airline sales around the world), settling past liabilities, and

shedding excess labour (in steel and railways in Argentina). Successfully privatising governments also assiduously avoided large new investments for plant modernization and equipment since getting the private sector to finance and manage these investments was a major reason for privatisation.

5. Transparency is critical for economic and political success. Mexico and the Philippines made the sale of enterprises transparent by adopting competitive bidding procedures, developing objective criteria for selecting bids, and creating a clear focal point with minimal bureaucracy to monitor the overall programme. A lack of transparency can result in a political backlash, as in the early days of privatisation in Poland, or even bring the process to a halt, as in Guinea.
6. Governments should pay special attention to developing a social safety net. In Tunisia, generous severance packages encouraged voluntary departures and reduced the need for outright dismissals. The formerly socialist economies should privatise in all possible ways that encourage competition, and they should experiment with all available methods that go beyond a case-by-case approach to privatisation. Since the economic and social importance of state owned enterprises (SOEs) are far greater in these economies than in the rest of the world, flexibility is in order not because privatisation is less necessary, but because it is more so. Rampant institutional and policy deficiencies require experimentation with a wide set of privatisation tactics. These include share give-aways (or mass privatisation schemes), state-assisted financing methods, free or low-cost shares to employees in privatised firms, and new types of investment-management companies to run groups of companies and diversify risk.
7. In changing the public-private mix in any type of economy, privatisation will sometimes be less important than the emergence of new private business. Countries can freeze or restrain the expansion of public enterprises and encourage the growth of a dynamic private sector through free entry, as has happened in Korea and appears to be happening in China.
8. Therefore, privatisation is not a blanket solution for the problems of poorly performing state owned enterprise (SOEs). It cannot in and of itself totally make up for the lack of competition, for weak capital markets, or for the absence of an appropriate regulatory framework. However, where the market is basically competitive or when a modicum of regulatory capacity is present, private ownership yields substantial benefits World Economy since 1945 (undated).

According to the White Paper on the Transformation of the Public Service WPTPS (1997) the South African public service will be judged by one criterion above all: its effectiveness in delivering services, which meet the basic needs of all South African citizens. Improving service delivery is therefore the ultimate goal of the public service transformation programme.

The purpose of the White Paper is to provide a policy framework and a practical implementation strategy for the transformation of public service delivery. However, their decisions about what should be delivered will be improved as a result of the Batho Pele approach, for example, through systematic consultation with users of services and by information about whether standards of service are being met in practice (WPTPS: 1997).

Batho pele serves to highlight the role government plays in the life of the citizens and that they, should be the priority when drafting policies. Taking into account that privatisation does not benefit them; government should play its role and let the private sector play its part.

2.20 PRIVATISATION IN EUROPE: EXPERIENCE WITH INTERNATIONAL ELECTRICITY MARKETS

2.20.1 Nordic and EU-wide market

The Nordic countries - Norway, Sweden, and Finland - gradually introduced an open international market in electricity during the 1990s. The European Union had introduced a new electricity law in 1998, which requires member states to open their electricity markets to international trading. This is subject to a number of limitations. For example member states can adopt a law that requires all electricity for public consumption to be sold through a 'single buyer' (Hall: 1999).

In central Europe, the UK model was followed by Hungary. The UK and Hungary now have two things in common, namely their generating and distribution companies are fragmented and relatively small, while a large proportion are owned by foreign-based multinationals. Public sector electricity companies continue to exist in many countries in Europe. These companies include the state-owned companies of France (EdF), Ireland (ESB) Italy (ENEL,) Norway (Statkraft), Sweden (Vattenfall) and Finland (Fortum/IVO, now 50% state-owned).

These public sector companies are flourishing in the new international electricity markets of Europe. Vattenfall, IVO and Statkraft dominate the Nordic electricity market, linking Norway, Sweden and Finland. The most rapidly expanding multinational in Europe is EdF. ENEL is now

allowed to expand internationally. The table below shows how these companies have already established themselves as significant international operators, both in the European Union and in central and Eastern Europe and elsewhere in the World (Hall: 1999).

Table 2. 2: International activities by European public sector electricity companies

Company	Owner	Region	Countries
EDF	France, state, 100%	Europe, West	Austria, Finland, France, Germany, Italy, Portugal, Spain, Sweden, Switzerland, UK
		Europe, Central & Eastern	Bulgaria, Czech Republic, Hungary, Poland, Romania, Russia, Slovakia, Ukraine
		Africa	Central African Republic, Coted'Ivoire, Egypt, Gabon, Ghana, Guinea, Guinea-Bissau, Mali, Morocco, Mozambique, Senegal, South Africa
		America, North	Canada
		Latin America	Argentina, Brazil, Mexico
		Asia	China, Thailand, Vietnam
Fortum	Finland, state 50%	Europe, West	Finland, Germany, Ireland, Norway, Sweden, UK
		Europe, Central & Eastern	Estonia, Hungary, Poland
		Asia	China, Indonesia, Thailand
Vattenfall	Sweden, state, 100%	Europe, West	Denmark, Finland, Germany, Norway, Spain, Sweden
		Europe, Central & Eastern	Czech Republic, Latvia, Lithuania, Poland
		Asia	T Thailand
		Latin America	B Bolivia

Source: PSIRU database

2.20.2 UK Electricity Privatisation - who won, who lost?

Table 2. 3: Losers and winners of electricity privatisation

	<i>£ billions at 1994–95 prices</i>
Consumers	(loss) -1.3 to -4.4
Government	gain 1.2 to 0.4
Shareholders	gain 9.7 to 8.1

Source: World Bank PPS Note 124

A more recent study of the components of electricity prices has reached similar conclusions. The reduction in distribution costs has only happened since regulators imposed tougher formulae, not because of privatisation. The fact that the reduction in prices is much less than the fall in fuel costs, because of the three- and four- fold increase in the profit margins of the distributors and the fact that the element of supply costs is too small to make meaningful competition possible for small consumers (Hall: 1999).

2.21 BENEFICIARIES OF PRIVATISATION AND LIBERALISATION

2.21.1 Benefits of UK privatisation

UK electricity privatisation produced some cost 'savings', which were almost entirely caused by job losses. These included job losses in the electricity industry itself and job losses in the coal industry, which lost a lot of business as a result of privatisation. However, consumers did not see the benefits. A detailed analysis found that all the cost savings were more than offset by increases in dividends, and so the only beneficiaries were the new shareholders - prices to consumers actually increased sharply (Hall: 1999).

The World Bank has published a paper, which concludes that UK consumers have lost billions of pounds as a result of electricity privatisation. The authors have calculated the net savings (mainly due to reductions in labour costs in the electricity companies and in the coal industry, at a big cost in lost jobs and income) to be between £6bn and £11.9bn - equivalent to a reduction of about 3.2 to 7.5 percent of prices (Hall: 1999).

They then examined the actual distribution of benefits - and found that the price reductions did not happen. Prices did not fall as fast as costs, and so: "Power purchasers seem to be paying higher prices than they would have under continued public ownership. " The reason for this, says Hall (1999), was that higher company profit margins offset lower costs. This happened to

such an extent, that "the shareholders benefit by more than the total net benefit so none of the savings ever reached the consumers (let alone the employees). In fact, consumers lost between £1.3bn and £4.4bn as a result." (Hall: 1999:7).

2.22 PERFORMANCE PROBLEMS WITH ELECTRICITY

Some of the world's biggest cities have suffered badly from power cuts following privatisation.

2.22.1 Rio de Janeiro (BRASIL)

There were repeated power cuts in Rio de Janeiro at the end of 1997 and the beginning of 1998. Light - the electricity company privatised to a consortium of USA and French companies - was the focus of a storm of public complaints. A government minister described the company as an embarrassment to the privatisation programme. A second privatised company, CERJ, was also fined (Hall: 1999)

2.22.2 Auckland (New Zealand)

The New Zealand government forced a semi-privatised structure on Mercury Energy, the main electricity company supplying the city of Auckland. The company started to take over other power companies, and then the city was hit by blackouts: "From February to May 1998, the entire central business district of Auckland, the main business centre of New Zealand, was completely blacked out by a failure of the main power feeds" (Rosenberg, Bill, and Kelsey: 1999).

First one of the three supply cables failed, then the second and then the third, all of which followed the same route, in a cascading sequence of failures. Businesses had lost income and had to use portable power generators or relocate, and many workers were told not to come to work. Mercury paid \$128 million to compensate its angry customers and to carry out the work to remedy the power supply problems permanently. It announced in July 1998 that it could not afford to pay a dividend, having gone from a profit of \$82.1 million in 1997 to a loss of \$25.3 million in the year to March 1998. An official inquiry showed that the company and its engineers had known about the vulnerability of the power feeds for several years, but that the company had been too preoccupied by its takeover mania to do anything to make plans for an alternative feed (Rosenberg, et al: 1999).

2.22.3 Buenos Aires (Argentina)

Edesur, the privatised Buenos Aires electricity power distributor, faced fines of \$60m levied by government regulators, ENRE, following a 10-day power cut, which began, on 15/2/99, affecting large parts of the city. Businesses have threatened to sue Edesur for more than \$700m (although lawsuits had not yet been presented - 1/3/99) for economic disruption (Hall: 1999).

The 10-day blackout - the longest outage in Argentinean history (and second only in the world to the 2-week outage in New Zealand, 1998) initially affected more than 500,000 people and caused angry demonstrations as people were without light, air conditioning and water at the height of summer. The blackout was due to a fire at an Edesur sub-station. The blackout has called into question the effectiveness of supervision of the electricity industry. While there have been calls for the concession to be revoked, the legal framework of the privatisation does not allow the government to take away the concession granted to Edesur (Hall: 1999).

Edesur serves 2.1 million customers. The company was privatised in 1992 to a consortium consisting of Enersis – a Chilean energy company owned by Endesa, the largest Spanish electricity company - and Perez Compac (Hall: 1999).

2.23 OPPOSITION TO PRIVATISATION

There are a number of recent cases of successful resistance to wholesale electricity privatisation elsewhere in the world. These include:

2.23.1 Mexico

A draft law to restructure and privatise the electricity industry was abandoned in 1999 following strong opposition from trade unions and others.

2.23.2 Minas Gerais (Brasil)

In some states in 1998 governors were elected who opposed privatisation, even where it has been partially initiated, in Minas Gerais. Attempts have been made to reverse the privatisation process in these states (Hall: 1999).

2.23.3 Long Island (USA)

The municipality of Long Island, New York, took over the running of the local electricity utility from the private sector in 1999, after constant complaints and problems.

2.23.4 New South Wales (Australia)

Elections in New South Wales, Australia, in March 1999, rejected the Conservative Party who proposed privatisation of electricity. New South Wales instead, now has public sector corporatised energy companies, which now have a long future. This follows similar election results in Tasmania, where the Labour Party defeated the Conservatives, proposing electricity privatisation; and electricity privatisation has also been rejected in South Australia and Queensland, leaving Victoria as the only state, which has privatised its power (Hall: 1999).

2.23.5 Romania

Romania, at present, has a unified state owned electricity company, RENEL. The World Bank and the IMF, among others, have proposed breaking it up and privatising it. This is being strongly resisted by the trade unions concerned, and so far the national company, RENEL, remains intact. Finally, this opposition reflects increasingly successful opposition to other public service privatisations, notably water. In the past year this has been rejected in a number of places, including Panama, Rio de Janeiro, and Poznan. The most radical changes are happening in Venezuela under President Hugo Chavez reform and nationalisation is taking place (Hall: 1999).

2.24 EFFECTS OF PRIVATISATION ON EMPLOYMENT IN SOUTH AFRICA

Unemployment figures in South Africa are controversial. The level of unemployment is among the highest in the world, and many peg the actual unemployment rate much higher than current statistics. Officially, unemployment is only measured among people who are actively seeking employment. This can lead to the anomaly of the unemployment rate falling, yet there being little or no increase in the number of people with jobs (Labour Force Survey: 2004).

According to Banerjee, Galiani, Levinsohn, and Woolard (2006), too many South Africans are unemployed. Just how many are unemployed depends on how one defines unemployment, but even by a narrow definition, about 26 percent of the labour force is unemployed. It has not

always been this way. Unemployment was probably fairly low through the 1970's, although data limitations preclude certainty.

Labour Force Survey (2004) the Stats SA labour force survey published in 2004 based on a household sample stated that the number of unemployed South Africans dropped from 4 627-million to 4 611-million over the last six months of comparing to 2003. Unemployment in South Africa is stabilising. That's according Statistics South Africa, which puts the official unemployment rate at 27.8% for March 2004 compared to 28.4% in September 2003. At the same time, employment has increased. The expanded unemployment rate which takes into account unemployed people who are not actively seeking jobs - dropped from 42% in September last year to 41.2% in March this year

At transition in 1994, unemployment was substantially lower than it is today. A nationally representative survey conducted just before the transition indicated that unemployment was 13 percent. Another nationally representative survey in 1995 found unemployment to be around 15 percent. By the end of the decade, unemployment had jumped to 30 percent before declining slightly. While the researcher ultimate goal is to suggest policies that might reasonably be expected to put more South Africans in productive jobs, a necessary prior task is to understand just why so many are without jobs in the first place.

The rises in unemployment in South Africa since the transition in 1994 have been documented. The likely causes of this increase in unemployment are due to structural changes in the economy resulting in a new equilibrium unemployment rate or to negative shocks (that temporarily have increased unemployment). In Conclusion the former are more important (Banerjee, Galiani, Levinsohn, and Woolard:2006).

Race, geographic location, sex and levels of skills still heavily influence the likelihood of being employed in South Africa. This lack of employment causes poverty and may impact the number of cases of HIV/AIDS. Employment in South Africa is integral to people's livelihoods, both present and future. It is important to understand that job creation of the magnitude required for South Africa to meet the Millennium Development Goal and targets of halving the number of people living in poverty and unemployment by 2015, let alone to lift the majority of people out of poverty will be a long term project, requires negotiation of factors within control and those external, including global trade labour (Dercon: 2005).

As indicated above, levels of unemployment are central markers of levels of poverty in South Africa. Unfortunately, the last decade have seen a steady increase in levels of unemployment in South Africa. Unemployment rose from 34.3% of the total working age population in September 2000 to 40.5 % in March 2005 (Naledi: 2006).

Recent Western Cape Provincial Treasury (2006) figures show that the Western Cape has reached about 26.3% with narrow unemployment 18.6%, which compares favourably to the national situation where broad unemployment reached 41%. Considering the employment data in 2004, about 1.7 million people were employed in the Western Cape. Approximately one half (50.6%) are coloured, while 27.0% percent are white and 21.1% percent are African making a total of 98.7% percent.

For a better understanding of the magnitude of this problem, the following is a definition of unemployment: recent Western Cape Provincial Treasury (2006) Citing Statistics SA, P0210 2002;xv, states that South Africa has a narrow definition of unemployment which reads that it refers to individuals who do not work but want to work and are willing to work if offered the opportunity, who have taken steps to look for work or start some form of employment.

Overall, the mixed performance on the structural reform agenda means that the preconditions for a sustained supply response remain unmet. Based on the GEAR package of policies adopted in 1996, growth was forecast to accelerate to 6 percent by 2000, with job creation reaching 400,000 jobs annually. Compared to these targets, South Africa's economic performance has been disappointing: GDP growth has remained low, formal employment continues to fall, and the key objectives of poverty reduction and improved service delivery remain largely unmet (O'Malley: 1998).

The recent September 2006 Quarterly Employment Statistics (QES) survey showed that the number of people employed in the formal non-agricultural business sector of the South African economy increased by about 73,000 persons or 1.0% from June 2006 (an estimated 7,285 employees) to September 2006 (an estimated 7,358 employees (Pillay: 2007).

In South Africa, unemployment is extremely high (see Table below) and it is seen as one of the most pressing socio-political problems facing the government. There has been a lively debate on the extent, nature, and cures of unemployment in South Africa but the outcome has been rather inconclusive. This reflects the lack of good empirical evidence in the past. The World Bank-funded SALDRU data collected in 1993 and subsequent October Household Surveys and

Labour Force Surveys permit detailed microeconomic and empirical analysis of unemployment in South Africa (Kingdon and Knight: 2006).

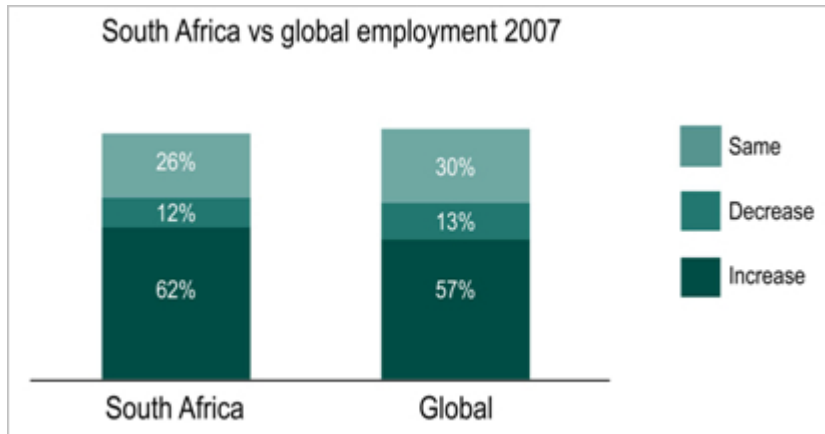
Table 2. 4: Unemployment statistics in South Africa

Unemployment rates in South Africa, 1993-2004			
Year	Source	Broad definition	Narrow definition
Sep 1993	SALDRU	31.2	13.0*
Oct 1994	OHS	31.5	20.0
Oct 1996	OHS	35.6	21.0
Oct 1998	OHS	38.6	26.1
Sep 2000	LFS	36.9	25.8
Sep 2002	LFS	41.8	30.5
Sep 2004	LFS	41.0	26.2
Sep 2005	LFS	38.8	26.7

Source: SALDRU data from South African Labour and Development Research Unit, University of Cape Town; October Household Survey (OHS) and Labour Force Survey (LFS) data from Statistical Releases of Statistics South Africa.

Unemployment consistent rise since 1994;only declines was recorded in 2000 from 38.6,26.1 to 36.9,25.8 respectively recent survey shows that the number of jobs created by South African business has increased by 7% this year. According to the latest Grant Thornton employment-growth survey, the percentage represents a significant improvement from last year's employment figures. "This is up four percentage compared to last year's employment growth index [EGI] which only reflected a 3% growth as a result of hampered employment growth within the manufacturing sector" (Temkin: 2007).Further comparisons between South Africa and global trends show improvement according to the statistic below.

Figure2. 1: Comparative analysis between South Africa and the globe



The survey reveals that 62% of privately held businesses in South Africa have increased their staff complement over the past twelve months. This is 9 percentage points up from last year. The global average for employee growth in this market is a 57% increase (Temkin: 2007).

According to Western Cape Provincial treasury (2005) the official unemployment rate in 1995 was 17 % per cent while it expanded to 30 % per cent in 2004 and in 2000 it stood at 26% per cent and 36 respectively raising it to a further 42% per cent in 2003. These statistics mean that unemployment has increased, while jobs are not being created as predicted.

In the quest to make more profit, Rex True Form's Salt River plant announced closure; threatening to leave approximately 1000 people jobless. This is clear evidence of the impacts of privatisation. In the past 10 years, most of China's clothing and textile workers have earned less than R200 a week, while in Dimbaza, in the Eastern Cape, which is one of the poorest communities in south Africa, the clothing industry has been virtually wiped out (Horwitz: 2005).

According to Sivaraman, Perez and Weaver (2004), from 1995 to 2002, unemployment among Western Cape matriculants increased by 54.8%, according to the provincial government's 2003 Socio-Economic Review.

2.25 CHAPTER SUMMARY

This chapter evaluated certain sources of literature dealing with globalisation, both challenges and opportunities. Globalisation presents both challenges and opportunities. The challenge is the extent to which national economic policies and corporate strategies enable the economy to

enhance productivity and competitiveness and take advantage of the opportunities and overcome problems. Furthermore, an in-depth review of privatisation since its inception internationally and in South Africa highlighting the corruption associated with it. The challenge is to recognize the extent to which national economic policies and corporate strategies enable the economy to enhance productivity and competitiveness and take advantage of the opportunities and overcome the problems.

However a close investigation of how the government can play its role in promoting the welfare of its citizens and at the same time make a profit, an ideal balance needs to be found on an effective and efficient method of privatisation and the most suitable macro-economic policies that benefit the country through equitable distribution of the income. The next chapter will describe the research methodology that was used to gather necessary data for the study.

CHAPTER THREE

RESEARCH METHODOLOGY UTILISED TO EVALUATE PRIVATISATION AS A TENET OF GEAR AND ITS SOCIO-ECONOMIC IMPACT ON THE POOR IN THE WESTERN CAPE WITH SPECIFIC REFERENCE TO THE TOWNSHIP OF KHAYELITSHA

3.1 INTRODUCTION

The purpose of this chapter is to describe the research methodology that was used for this study and the systematic approach used to collect data and obtain answers to the research questions that were posed. The following was undertaken to achieve the objectives of the research.

Several literature pieces were examined, which discussed globalisation in various contexts, privatisation and its impact on several countries across the globe, particularly where it was relevant in developing countries such as South Africa. Government relevant macro-economic policy and the views of different authors and academics were identified and studied. In order to achieve this, a combination of qualitative and quantitative methodologies was adopted as an integrated investigative approach. Structures survey questionnaire with close and open-ended questions were also used as a strategy of structured interviews, which were employed. A Survey questionnaire was designed as another research tool for this study in order to obtain objective and unbiased views and observations was also applied as a technique.

3.2 RESEARCH DESIGN

Research design is described by Leedy (1985) as planning; clear thinking is necessary for the management of the entire research endeavour and complete strategy to address the central research problem. Babbie, and Mouton (2001) list the following types of research design:

- Experiments usually used for physical science;
- Survey research asking question in its various forms;
- Qualitative research direct observation in natural settings;
- Participatory action research-interaction between all participants;
- Evaluation research experimental and quasi-experimental research; and
- Unobtrusive research non participatory, usually involves analysing existing data or statistics.

Due to the field of research, it was decided to conduct a survey. The objective of the empirical study was to determine how effective is the government's macro-economic policies of privatisation in Khayelitsha are presented below as a strategy and plan to resolve the impact of privatisation in Khayelitsha, which is proposed as the problem statement for this study.

3.3 RESEARCH METHODOLOGY APPLIED

A research method concerns the way ideas and evidence are organised and disseminated. According to Hart (1998) methodology is a system of methods and rules to facilitate the collection of data. It provides a starting point for choosing an approach made up of theories, ideas, concept and definition of the topic.

According to Ntozima (2004) citing Pekeur (2002:14) "research methodology is aimed at testing the nature of the dimensions dealing with the purpose and objectives of the study". Therefore, the research methodology used in this study is both qualitative and quantitative; the research methodology as applied to this study relied on the following:

- Literature review and
- Research survey.

According to Brynard and Hanekom (1997: 28) "research methodology or method of collecting data, necessitates a reflection on the planning, structuring and execution of the research in order to comply with the truth, objectivity and validity". Research methodology is, therefore, aimed at a thorough demonstration, connection and scientifically systematic chronology of investigation, by giving its hypothesis a true meaning in application and achieving the expected end results of the entire study.

For a study that deals with a social context such as this one, the alternative was the use of qualitative and/or quantitative methods of collecting data from the field using a survey questionnaire that were open and close end.

Rashe (2006:6) citing Mouly (1970:126) states that "literature review as the review of literature in an exacting task, calling for a deep insight and clear perspective of the overall field". Several literature pieces were examined, which discussed globalisation in various contexts, privatisation and its impact on several countries across the globe, particularly where it was relevant to the circumstances in developing countries such as South Africa. Relevant macro-economic policy and the views of different authors and academics were identified and studied in the process.

3.4 QUANTITATIVE RESEARCH METHODOLOGY USED

Stead and Strewig (2001) have defined quantitative research as: A numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect. In quantitative research, the numerical measurement of specific aspects of phenomena is important and has to be exact. This is important when a researcher is interested in establishing facts that can be generalised across the population, as this will enable one to generalise any characteristic discovered in a particular location, across other similar communities within the Western Cape.

Mouton and Marais (1988) re-emphasises that the methods and techniques in quantitative research use numbers (quantity) to represent values, which is viewed as a strong way of describing phenomenon. Therefore, the measurement of users and frequency of their visits to the project facilities at the different locations as an example portrays this nature of the quantitative approach. This research approach was used to draw parallels on the level of the acceptance of the project within the different communities.

The *quantitative methodology* is one in which the investigator primarily uses post positivist claims for developing knowledge of cause and effect. To specify variables, hypotheses and questions; use of measurement and test of theory, employs strategies of inquiry such as survey, questionnaire data collection on close-ended and predetermined instrument that yield statistical data (Creswell: 2003).

The quantitative methodology was used to determine the number of people affected directly or indirectly by the impact of privatisation. The method was considered so that a larger number of users could be reached. This was achieved by using a survey as the instrument of collecting data. The questionnaire was designed with structured questions to gain information, and also to reach as many community members as possible. The survey outcomes were later analysed by a qualified statistician. Though this research methodology has been dominant in the information systems research domain, other methodologies such as qualitative methods are fast making inroads. This is as a result of the restrictions and shortcomings inherent in some features of the method, which is illustrated below (Bramble, Emanuel, William: 1989).

- Hard;
- Fixed;
- Objective;
- Value-free;
- Survey;
- Hypothesis testing; and
- Abstract.

3.4 QUALITATIVE RESEARCH METHODOLOGY USED

Creswell (2003) defines *qualitative methodology* as one in which the inquirer often makes knowledge claims based primarily on constructivist, perspectives the multiple meaning of individual experiences, meaning socially and historically constructed, with one intent of developing a theory or pattern or advocacy/participatory perspective also use strategies of inquiry such as narrative, phenomenologies, ethnographies, grounded theory studies or case studies the researcher collect open-ended emerging data with the primary intent of developing themes from data.

Struwing and Stead (2001:12) described qualitative research as: "The non-numerical examination and interpretation of observations, for the purpose of discovering underlying meanings and patterns of relationships". This research methodology, as described by Stead and Struwig (2001), involve the use of approaches such as:

- Participant observation;
- Archival source analysis;
- Interviews;
- Focus groups and
- Content analysis.

The *qualitative methodology* was used to search and identify evidence of the effects of privatisation on the community of khayelitsha; the interviews were conducted within the entire target group khayelitsha area. The interview questions were structured in nature and strategically attempted to gain some insights to some of the issues suggested in the literature. Further, the questioning format was close and open-ended, which allowed for the emergence of unique and unanticipated issues. The interviews were transcribed and analysed for recurring themes. Therefore, qualitative research can be viewed as interdisciplinary, multi-paradigmatic

and multi-methodical. As Stead and Strewig (2001) have stressed, the use of qualitative methods allow for an in-depth analysis of a given phenomena.

3.5 MULTI-METHOD APPROACH (TRIANGULATION)

In order to achieve the objectives of this study, however, a combination of qualitative and quantitative approaches was adopted. Mouton and Marais (1988) have mentioned that this approach of combining different research methods in a single research provides a rich understanding of a research topic, which could lead to more reliable research results. The strength therein lies in the diversity of the methods, specifically in bringing together the complexities of how the real world is viewed by the different methods. *The mixed method* involves strategies that involve collecting data simultaneously or sequentially to best understand research problems. Data collection involves gathering both numeric information and text information, so that the database represents both quantitative and qualitative information (Creswell: 2003).

Furthermore, by using or adopting a single method, a researcher is likely to gain a limited view of a particular research situation. Therefore, this argument was a good motivation to consider utilising a multi-method approach in this research, which helped to correct respective shortcomings. Moreover, a qualitative means of acquiring data was necessary and also the need for quantifiable data in this research is important. This can provide 'hard fact' in numerate form, which most governments and policy makers require. This is further stated by Bryman (1988) citing Web (1966), suggested that social scientists are likely to exhibit greater confidence in their findings when these are derived from more than one method of investigation.

3.6 RESEARCH LOCATION

The location for this research is the area of Khayelitsha situated within the Western Cape (see Table 3.1).

Table 3. 1: Research locations

Location	Characteristics
Site C	Peri-Urban
Macassar	Peri-Urban
Elita Park	Peri-Urban
Site B	Peri-Urban
Mandela park	Peri-Urban

3.7 DATA COLLECTION TECHNIQUES

This involves setting the limits of the study, collecting data through means such as survey questionnaires, and establishing the procedure for recording the data. This is important in increasing the reliability of a study. In this study the quantitative approach was used. However, the quantitative research method of a survey questionnaire was the first option used as the technique to collect data. The reason to use the survey questionnaires as a research method instead of interviews is because the latter is said to be time consuming, costly, perceived to be biased and at most times could be difficult to analyse (Aronson, Ellsworth, Carlsmith, Gonzales: 1990).

A common set of issues was addressed in each questionnaire. Typically, everyone was asked about privatisation, its impact, whether they would prefer the Government or private sector to provide basic services, whether they knew the meaning of privatisation, and how it impacted on them. Further, everyone was asked common questions; in terms of what challenges have they faced or are they facing since government basic services and companies have been privatised. The bulk of the informants had keen interest on the matter.

Apart from the common issues in the questions, respondent were asked some questions that were specifically related to the impact of privatisation, its role in the community, and whether jobs have been created by privatisation in the area.

3.8 SURVEY APPROACH

A survey method is suitable for measuring respondents in terms of self-reported beliefs or behaviours. Stead and Struwing (2001) believe that the survey provides a quick and efficient way of reaching a larger portion of the population and gathering data with relatively low costs as against other collection methods.

The analytical survey was also employed. According to Leedy (1985:92) "the analytical method is appropriate for the data that is quantitative in nature and that needs statistical assistance to attract their meaning. More importantly, as Stead and Struwing (2001) mentioned, the survey is among the popular methods used by researchers in information systems, for the following reasons:

- They allow researchers to determine the values and relations of variables and constructs;
- They provide responses that can be generalised to other members of the population studied and often other similar populations;
- They can be reused easily and provide an objective way of comparing responses over different groups, times and places;
- They can be used to predict behaviour;
- They permit theoretical propositions to be tested in an objective fashion; and
- They help to confirm and quantify the findings of qualitative research.

However, surveys do not allow for face-to-face interaction with the respondent, as is the case of the interview. In addition to the survey method the historical method was also employed

3.9 SURVEY INSTRUMENT

The survey instrument for this study was a questionnaire. The survey questionnaire was designed before going into the field. Initial visits were made to two sites. The questionnaire was designed to enable the researcher to collect data such as the affordability of services when provided by the government as against the private sector, whether they understood privatisation, whether privatisation had an impact on the communities; whether it had created jobs, economic growth, income, and whether they had jobs. The patterns and profiles of the users could not be obtained during the interview process. These needs have necessitated the design and administration of the questionnaire.

More importantly there was also the need to reach as many members of the community as possible in order to evaluate and validate the impact of privatisation. Hence, the questionnaire is important for this purpose.

In order to gain the confidence of the respondents and for ethical reasons, a confidentially statement was made on the first page of the questionnaire. The statement clearly mentioned that responses will strictly be used for the purpose of this research and that the identities of the respondents will not be disclosed. This is important, in order to ensure that the respondents complete the questionnaires honestly and dispassionately.

However, Bless Higson-Smith (1995) stated that there are shortcomings questionnaires such as:

- It limits the range of responses that can be extracted from the respondents; and
- It is subject to unanswered questions by respondents sometimes rendering the questionnaire invalid.

During the study this form of short comes were experienced prompting the researcher in using two methods.

3.10 SAMPLING TECHNIQUES

In any research it will be futile and completely impossible to try to reach the entire larger population of a study; therefore, through an appropriate sampling technique, a researcher can draw a representative sample, or a small collection of elements or cases, from the larger population. The techniques used in drawing the sample could either be by probability or non-probability (Stead and Struwing: 2001). However, this research used a probability technique. *Random Sampling* was adopted as well as to acquire a sample for the survey. As part of the quantitative approach, a non-probability technique, *Purposive Sampling*, was adopted rather than any of the probability techniques, which is usually associated with quantitative methods. Stead and Struwing (2001) stress that, the quantitative sampling technique allows for findings that can be generalised across the entire sample population. The qualitative sampling technique focuses on a sample to acquire clarity and understanding of social life in a specific context, as was the case in this research where the context is the previously disadvantaged community of Khayelitsha Table 3.1.

The target population for this research is anyone ranging in age from eighteen or older and situated in Khayelitsha. The study was therefore limited to the above-mentioned group. The

type of sampling technique used for the survey implies that sample members should conform to certain criteria (Cooper and Schindler: 2003). In this case, the sample members had to be eighteen years and above and residents of Khayelitsha. The survey questionnaires were only handed to community members who met those criteria. The target population were residents of Khayelitsha see table 3.1. 300 respondents were targeted and the respondents were chosen via the random sampling technique. From the target group, one hundred and forty-eight responded to the questionnaire. This was a representative sample of the target population.

3.11 SURVEY INSTRUMENT DEVELOPMENT/DATA COLLECTION

The survey instrument a questionnaire was designed and developed by the researcher, while it was verified by a statistician and approved by the supervisor of the research study.

After compiling the survey items, a pilot test was conducted on one (1) site, where twenty (20) questionnaires were administered. Jennings (2001) state that the purpose of pilot testing is to discover the inherent problems and extraneous questions in the design; which will be helpful to remove as much as possible of the factors that may impact the results. The resulting instrument that was used in this research consisted of three sections: section one was concerned with the demographics of the respondents, section two dealt with the more relevant issue of privatisation, and section three dealt with the possible impact and outcome if government privatises basic service.

The questions in the questionnaire were semi-structured, which combines the elements of closed-ended and open-ended questioning (Neuman, 2000). The larger part of the questionnaire, which asked questions that provided the respondent with a selection of responses to choose from, was important because with the pilot study it was discovered that certain questions were difficult to answer as a result of language and literacy barriers.

The questionnaire allowed for the collection of objective perceptions from respondents and also helped to simplify the complexity in collecting subjective data. However, in order to capture the feelings of the inhabitants of Khayelitsha regarding the contribution benefit, impact, constraints and suggestions about privatisation, open-ended questions were asked at the end of the section. Stead and Struwig (2001) regard this as useful when further clarifications are required. However, these types of questions influence the respondent less than the multiple-choice one and it allows for a considerable degree of bias.

3.12 SURVEY ADMINISTRATION

The survey questionnaire was hand delivered by the researcher to the communities with the assistance of two students who were employed as research assistants. The questionnaire was administered on the spot by the researcher and a team of assistants and a qualified interpreter. The subsequent administration of the questionnaires was done with the assistance of the facility managers at the different locations; this meant that the researcher had a session with the managers explaining the procedure of completing the questionnaire.

The researcher's assistants were very helpful in assisting some members of the community with completing the survey questionnaires, which was necessary because of language and literacy constraints, even after the revision was done. These constraints might have affected the response rates for the questionnaire, more so because time constraints prevented the researcher from translating the questionnaire into Xhosa, which is the predominant language in the area of Khayelitsha.

A total of 300 questionnaires were administered. However only hundred and forty eight were returned, the questionnaire was not administered in the entire Western Cape owing to the specifications of the study.

3.13 LIMITATION OF THE STUDY

The process that was followed to gather data is typical of most survey studies, where certain questions are posed to respondents and their answers are recorded. While the survey approach is the most suitable method to follow, the following limitations were experienced:

Firstly, a culture of research is not established in Khayelitsha since little or no research occurs there, as it is regarded by the community as an exercise of little value that would not make any difference in their lives. Secondly, the fact that the researcher is Angolan and considered a foreigner also played a role in the difficulty to get respondents who were willing to participate in the research. Language barriers also had a negative impact on the collection and completion of the questionnaire in some areas.

As the researcher had a limited budget, it was not possible to reach a more inclusive and larger number of respondents due to constraints in transportation, printing of the questionnaire, and the stipend for the researcher administrator. The problems could only be minimized with the involvement of a research administrator who could communicate fluently in the native

languages. The most common problems were the language barriers and the suspicions of some that there was a type of political agenda attached to the research.

This was worsened by the increase in xenophobic attitudes towards foreigners of African origin, which presented some limitation in getting them to participate in the research without much coercion. Another critical limitation that affected this study was the limited or non-existent study or research conducted on the impact of privatisation in areas such as Khayelitsha. Finally there are no institutions that specialize in conducting research or studies with the sole objective of examining macro-economic public policies and their impact on the poor in Khayelitsha. The time and resources that were available to conduct this study were not sufficient, hence recommendations for future research, are raised.

3.14 CHAPTER SUMMARY

A thorough study of all research methodology was done and this concludes Chapter 3, which dealt with the empirical study, in order to achieve the objectives of this study,. The next chapter will present an in depth analysis and discussion of the results and findings of the research.

CHAPTER FOUR

RESEARCH DATA PRESENTATION ANALYSIS AND DISCUSSION

4.1 INTRODUCTION

During this phase of the study the services of a qualified statistician was required to analyse and interpret the quantitative data. The researcher took sole responsibility for analysing and interpreting the qualitative data, which proved to be a difficult task due to the complexity of the study.

4.2 DATA ANALYSIS AND INTERPRETATION OF THE RESULTS

A descriptive, analytical and statistical data analysis was made and a thorough interpretation was done from the information obtained through completed questionnaires.

4.3 DATA COLLECTION

Firstly, during the development of the questionnaire, a pilot study was conducted in the Western Cape with specific reference to the area of Khayelitsha for the questionnaire's relevance and understandability. Twenty (20) respondents in greater Khayelitsha participated in the pilot study.

The questionnaire contained both qualitative and quantitative methods of data collection, thus allowing the research to use *the mixed method*, which involved strategies of collecting data simultaneously, or sequentially to best understand research problems. This involves gathering both numeric information and text information, so that the database represents both quantitative and qualitative information (Creswell: 2003).

Some people completed the questionnaire while others refused to participate stating dissatisfaction with other research or surveys done in the area in different areas where they have not yet seen the results of these studies. One reason cited was the non-implementation of results acquired, thus considering it a waste of time. Khayelitsha was chosen because of its rampant and growing poverty and its apparent lack of new infrastructure development in terms of job creation. The second reason is the fact that it is the target area for similar studies.

The response was only accepted in English. Even though the majority of the population is conversant in English, an interpreter was required to better explain the questions and to correct responses in instances where the respondents were not conversant in the English.

The target population for this study amounted to (300). Three hundred survey questionnaires were sent; however, only hundred and forty-eight were returned. The questionnaire process was conducted during a one month period- every weekend and some weekdays. The sampled method was randomly selected in each identified area referred to in Table 3.1 as the target population.

4.4 METHODS OF DATA COLLECTION

Firstly, the empirical survey method was used to collect the data. According to Ntozima (2004), citing Leedy (1985:92), “the empirical survey method is appropriate for the data that are quantitative in nature and that need a statistical assistance to attract their meaning.” This was done with the handling of the questionnaire to possible respondents and also via literature review of existent books, articles, and journals.

4.5 DATA ANALYSIS AND INTERPRETATION

The research population selected for the completion of the questionnaire constituted the common person of Khayelitsha, educated as well as uneducated, employed and unemployed, from eighteen to over sixty-one.

According to Gardner (1978:122), “to understand the results sometimes requires two separate processes. Firstly, we must find out what the results are saying; then and not before, we may search what they mean.” In regard to the purpose of the analysis, Kavale (1996:177) states that “the purpose of analysis is to uncover the meaning of the question, to make explicit its presuppositions and thereby the implicit conceptions of qualitative research it implies.”

Kavale(1996:186) further points out that “the interpretation focuses on the tension between what is said and what is not said in the question.” The interpretation of all research findings in this study was objective. This included the interpretation and analysis of the one hundred and forty-eight completed questionnaires from individual respondents and in collecting data to analyse the macro-economic impact of privatisation in Khayelitsha.

Regarding data analysis and interpretation, Allan and Skinner (1991:185) warn that "just because the data collection is defined as qualitative does not mean that you should eschew all quantitative elements in your analysis. You will find that incorporating appropriate descriptive and quantitative material into the thesis supports the qualitative arguments being made rather than detracting from them and this also happens even when the data collection is defined quantitative."

4.6 DEMOGRAPHIC DESCRIPTION OF THE RESPONDENTS

Gender

Statistics

Gender		
N	Valid	147
	Missing	1

Table 4. 1: Respondents Gender

		Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	80	54.1	54.4	54.4
	Female	67	45.3	45.6	100.0
	Total	147	99.3	100.0	
Missing	System	1	.7		
Total		148	100.0		

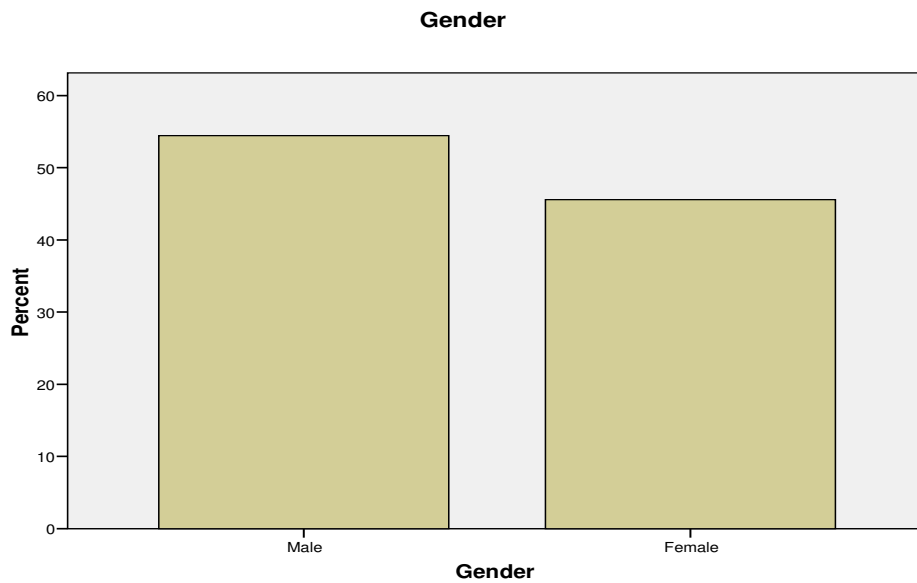


Figure 4. 1: Respondents Gender

While asking the gender type of respondents, the responses obtained from the survey, as it shows on table and figure 4-1, were relatively balanced. From a total of 147 respondents, 54-4% of respondent are male while the other 45-6% are female. It Shows that the people that should have jobs and provide for their families, are the ones mostly affected, causing many families to disintegrate, due to lack of employment and subsequently leading to poverty.

In relation to the research the responses provide the researcher with an understanding of who is directly affected by privatisation policy. Therefore, offering an opportunity for government to review its policy priorities.

Age Group

Statistics

Age Group		
N	Valid	148
	Missing	0

Table 4. 2: Respondents Age

Age Group					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under 21	11	7.4	7.4	7.4
	21 - 30	32	21.6	21.6	29.1
	31 - 40	49	33.1	33.1	62.2
	41 - 50	31	20.9	20.9	83.1
	51 - 60	16	10.8	10.8	93.9
	61 and over	9	6.1	6.1	100.0
	Total	148	100.0	100.0	

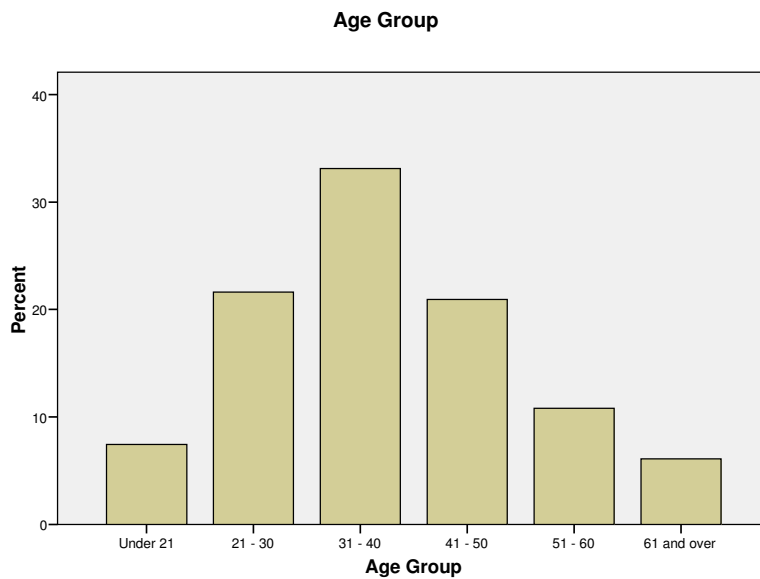


Figure 4. 2: Respondents Age

When the researcher asked the age of respondent, it was primarily to identify and assess the age group most affected. From a total of 148 respondents, 33.1% had 31 to 40 years of age

while, 21.6% ranged in age from 21 to 30 years. Lastly one other important group that falls under the category of heads of family or heads of household ranges in age from 51 to 60 years old, accounting for 20.9% proving the reason why poverty remains high in South Africa.

Race Group

Statistics

Race Group		
N	Valid	148
	Missing	0

Table 4. 3: Respondents Race

Race Group					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	White	2	1.4	1.4	1.4
	African	144	97.3	97.3	98.6
	Coloured	2	1.4	1.4	100.0
	Total	148	100.0	100.0	

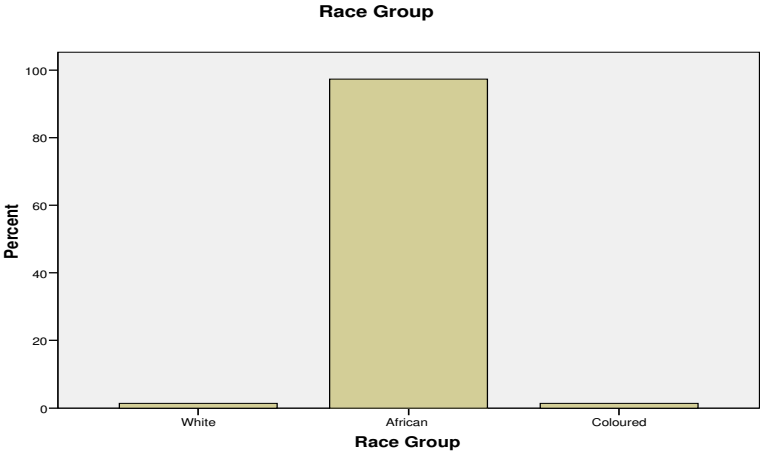


Figure 4. 3: Respondents Race

As a country that emerged from apartheid recently, there was a need to evaluate the impact of privatisation across colour line. From the responses the researcher, concluded that South Africa still a racial divided country. Furthermore, even the current government continues perpetuating the legacy of the previous government by building infrastructures in concurrency with the previous system. It has highlighted the fact that privatisation affects the poor and not the rich,

owing to the fact that the poor can not afford the basic services provided by private sector. Moreover, it shows that the majority of poor people are of African descent. As reflected on table 4.3 and figure 4.3 above. From a total of 148 respondents, 97.3% were black Africans while white and coloured represented an equal number of 1.4 %.

Qualification

Statistics

Qualification		
N	Valid	148
	Missing	0

Table 4. 4: Respondents qualifications

		Qualification			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary(Grades 1-7)	27	18.2	18.2	18.2
	High School (Grades 8-12)	106	71.6	71.6	89.9
	Vocational/ Professional	6	4.1	4.1	93.9
	Diploma / 3yr degree	5	3.4	3.4	97.3
	4-yr degree	3	2.0	2.0	99.3
	Post Graduate	1	.7	.7	100.0
	Total	148	100.0	100.0	

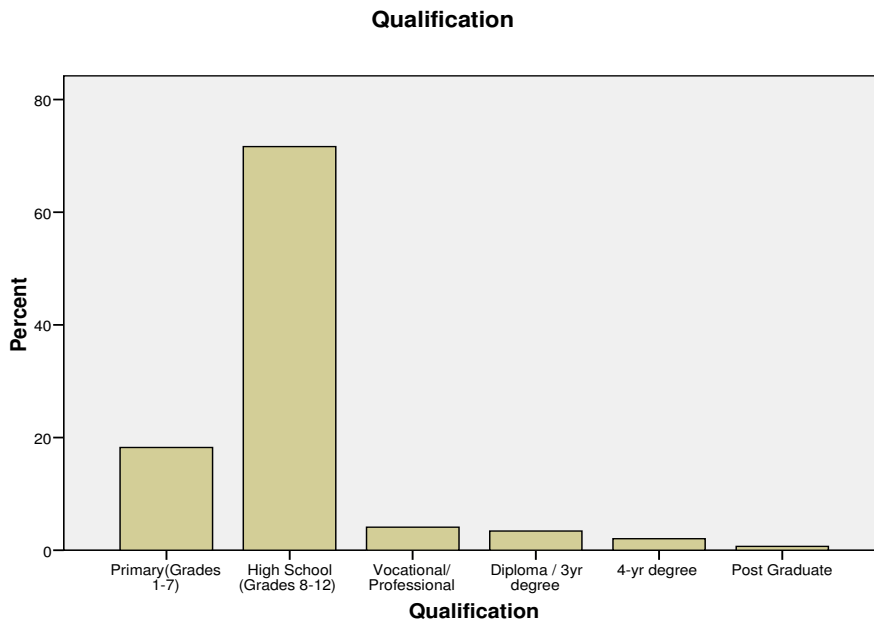


Figure 4. 4: Respondents qualification

While asking the qualifications of the respondents, the researcher intended to assess the people affected, what their qualification are. This would enable the researcher in providing a relevant and accurate recommendation. From a total of 148 respondents, 71.6 % possess grade 8 to grade 12 represent while only 4.1% had vocational qualification and 3-4% have a three-year degree. That supports claims of skills shortage in South African; beside unskilled this people are black. This shows how the effect of previous policies, the challenge of the new government and how new policies, continues to perpetuate the imbalances of the past.

Employment Type

Statistics

Employment Type		
N	Valid	145
	Missing	3

Table 4. 5: Respondents employment type

		Employment Type			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Employed by other	62	41.9	42.8	42.8
	Self- employed	11	7.4	7.6	50.3
	Unemployed	45	30.4	31.0	81.4
	Student	12	8.1	8.3	89.7
	Retired	7	4.7	4.8	94.5
	House Wife	8	5.4	5.5	100.0
	Total	145	98.0	100.0	
Missing	System	3	2.0		
Total		148	100.0		

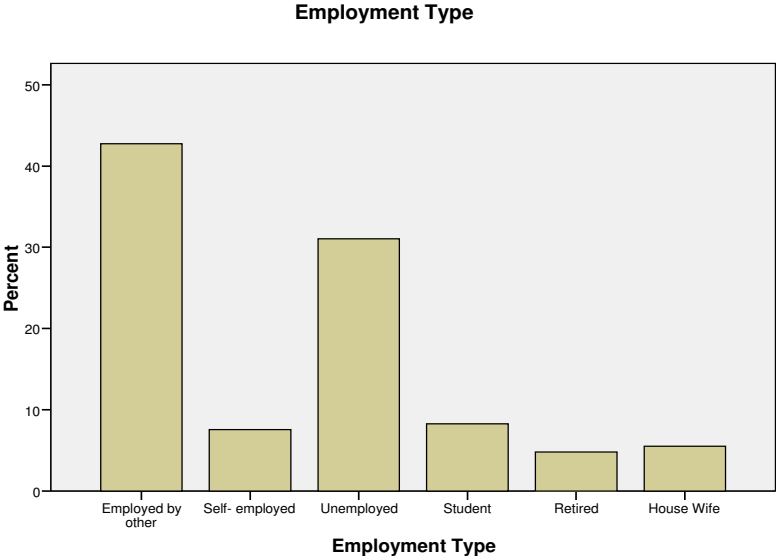


Figure 4. 5: Respondents employment types

From a total of 145 respondents as reflected in table 4-5 when asked about their employment types, 42.8% of respondents either work for government or private sector. However 31% is unemployed and that refutes the theory that privatisation creates jobs. In those instances where it does create jobs, not enough is being done to curb the scourge of unemployment and hunger.

Economic Sector

Statistics

Economic Sector		
N	Valid	65
	Missing	83

Table 4. 6: Respondents economic sector

Economic Sector					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Formal	29	19.6	44.6	44.6
	Informal	36	24.3	55.4	100.0
	Total	65	43.9	100.0	
Missing	System	83	56.1		
Total		148	100.0		

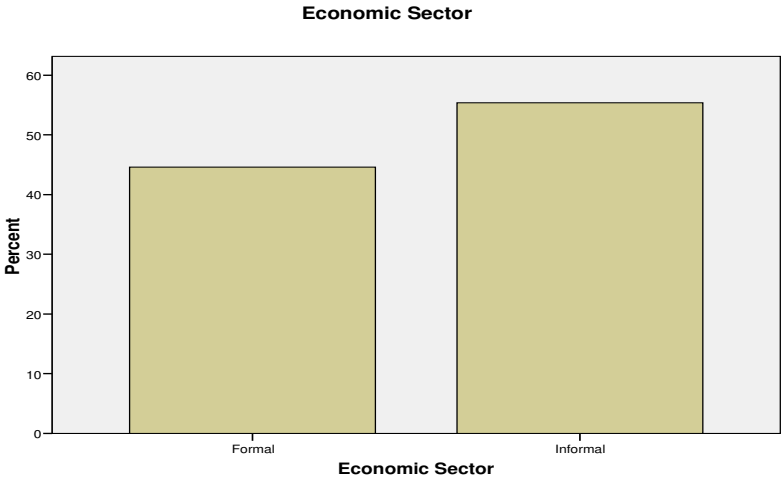


Figure 4. 6: Respondents economic sector

From the responses obtained, a total of 65 respondents responded the following way; 55.4% work on the informal sector, while 44.6% are employed in the formal sector. However it is pertinent to say that during the research process, it was found that many respondents did not know the difference between formal and informal sector. This was detected while reviewing the responses on the survey questionnaire. The contradictions in their responses could be a result of various factors and one of them is poor or very low education.

Employment Time

Statistics

Employment Time		
N	Valid	64
	Missing	84

Table 4. 7: Respondents employment time

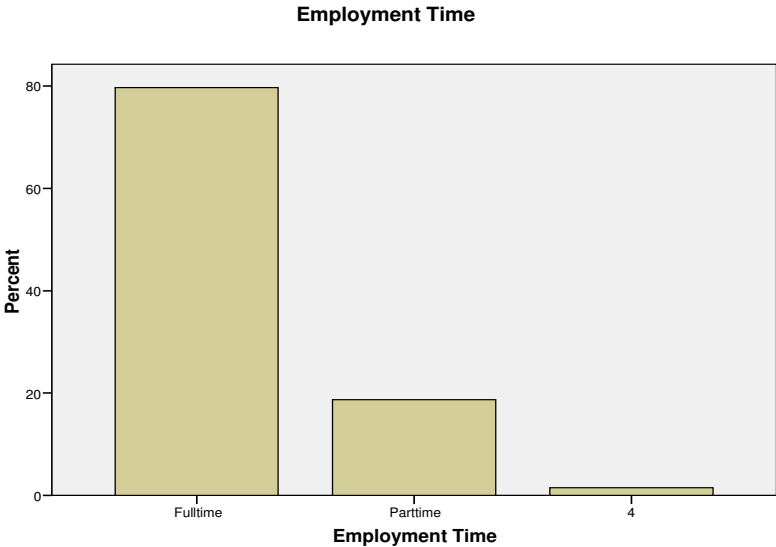


Figure 4. 7: Respondents employment time

Table 4-7 and figure 4-7 deals with the employment time of respondent. Trade unions have claimed that privatisation exploit the people and reduce them to contract workers or casual workers, there was a need to test those theories. When asked about their employment time or status, from a total of 64 respondents, 79.7% had a full-time job while only 18.8% had part-time jobs. This could be due to the fact that majority of people worked in the public sector and is reflecting on the responses.

Employer

Statistics

Employer		
N	Valid	66
	Missing	82

Table 4. 8: Respondents employer

Employer					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Government	22	14.9	33.3	33.3
	2	18	12.2	27.3	60.6
	3	19	12.8	28.8	89.4
	4	7	4.7	10.6	100.0
	Total	66	44.6	100.0	
Missing	System	82	55.4		
Total		148	100.0		

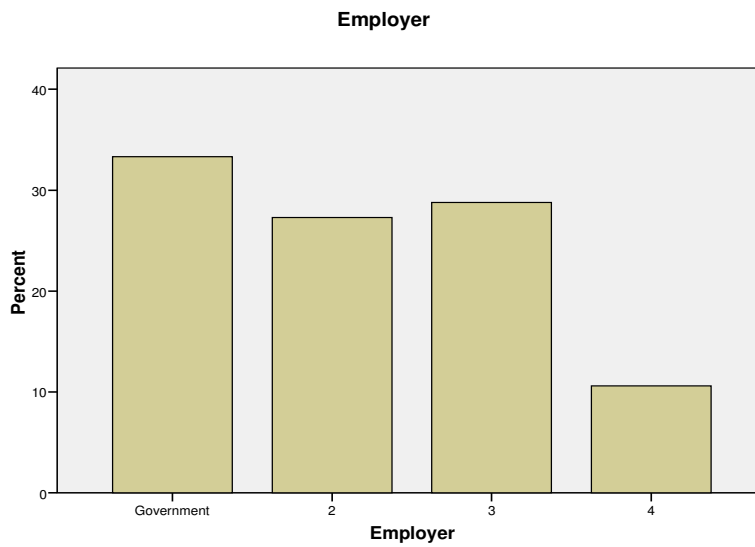


Figure 4. 8: Respondents employers

Monthly Income

Statistics

Monthly Income		
N	Valid	66
	Missing	82

Table 4. 9: Respondents monthly income

Monthly Income					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than R500	1	.7	1.5	1.5
	R 500-750	3	2.0	4.5	6.1
	R 751-1000	4	2.7	6.1	12.1
	R 1001-2000	14	9.5	21.2	33.3
	R1001-5000	24	16.2	36.4	69.7
	R5001 - R10000	20	13.5	30.3	100.0
	Total	66	44.6	100.0	
Missing	System	82	55.4		
Total		148	100.0		

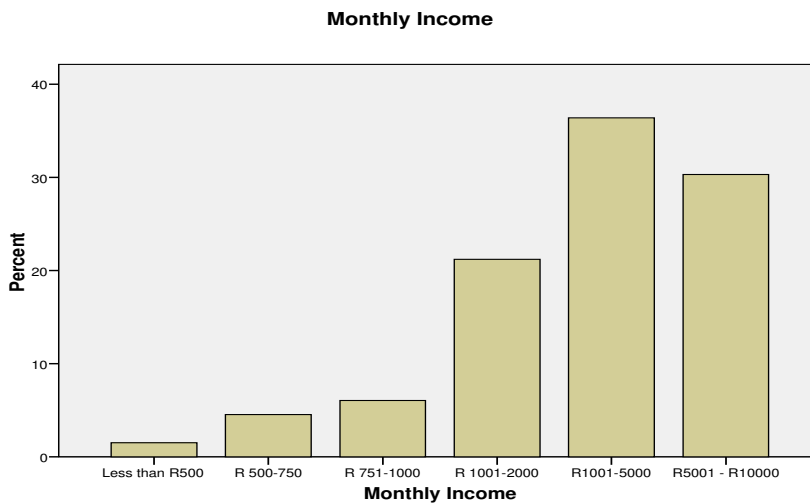


Figure 4. 9: Respondents monthly income

Table 4-8, 4-9 and the figures 4-8, 4-9 are been discussed in conjunction; this is to establish the correlation between the employer and the salaries paid. For clarification, Employer 2 Represents Private sector, Employer 3 represents NGO while 3 represents nobody meaning unemployed. Furthermore, it provides an opportunity for the researcher to ascertain who is the bigger

employer, between public and private sector? And who provides better salaries to the people. This will help in formulating salary policies and reviewing the impact of privatisation. When asking the respondents who their employers were from the 66 valid respondents, 33.3% worked for the South African government, while 27.3% worked for the private sector. Lastly 10.6% percent were unemployed.

This proves that government continues to be the biggest employer and preferred choice of the people. While in relation to their salaries the same amount of respondents answered the questions as follow: 36.4% earn a salary ranging from one thousand to five thousands, compared to the standard of living it is insignificant, while 30.3% were earning a salaries ranging from five thousand to ten thousand Rand. It is unclear who provide better salaries between government and the private sector, it is out side the scope of this research to determine who provide better salary between private and public sector, but it is obvious that people need job that provides them with the capacity to at least provide the very basic needs for their families.

Heard

Statistics

Heard		
N	Valid	140
	Missing	8

Table 4. 10: Whether they heard about privatisation

		Heard			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	77	52.0	55.0	55.0
	No	63	42.6	45.0	100.0
	Total	140	94.6	100.0	
Missing	System	8	5.4		
Total		148	100.0		

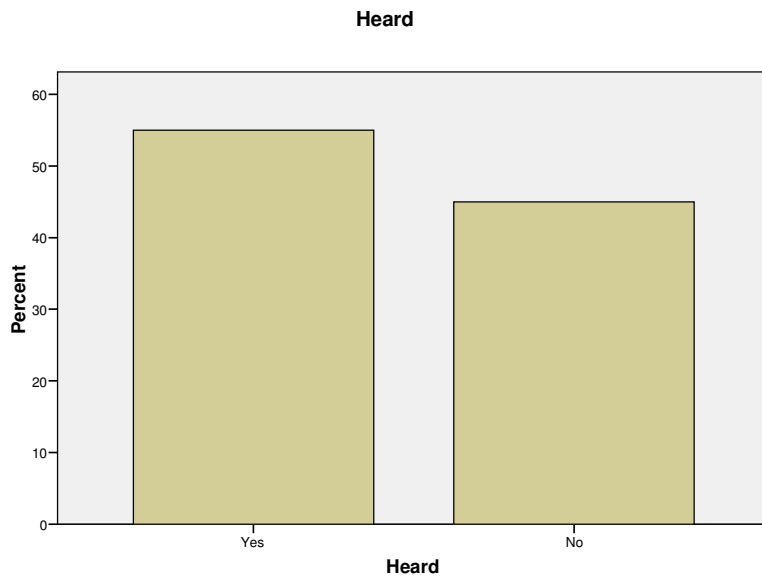


Figure 4. 10: Whether they heard about privatisation

Where heard

Statistics

Where heard

N	Valid	83
	Missing	65

Table 4. 11: Where they heard about privatisation

		Where heard			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	News Paper	39	26.4	47.0	47.0
	Radio	7	4.7	8.4	55.4
	Friends	22	14.9	26.5	81.9
	Internet	1	.7	1.2	83.1
	Other (specify)	14	9.5	16.9	100.0
	Total	83	56.1	100.0	
Missing	System	65	43.9		
Total		148	100.0		

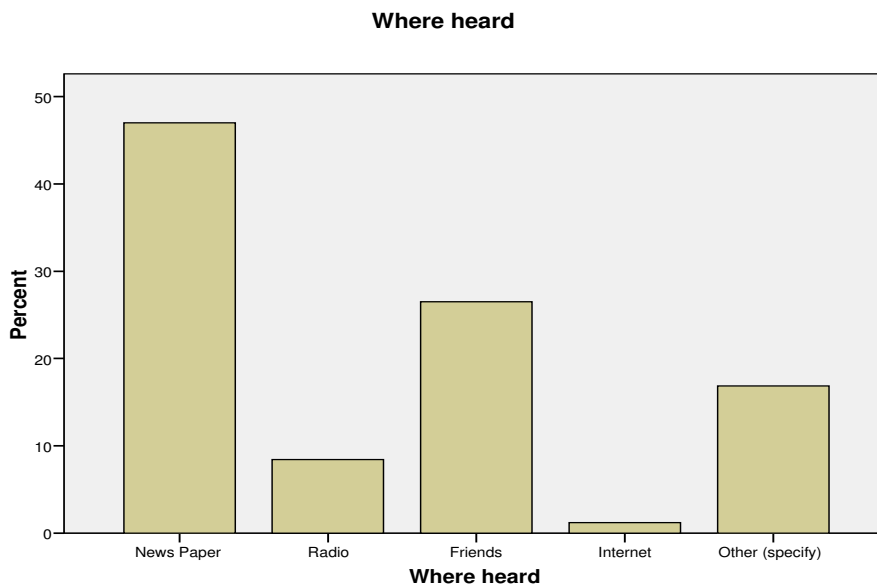


Figure 4. 11: Where they heard about privatisation

Tables 4-10, 4-11 and figure 4-10, 4-11 are being analysed as one, however from a pool of 140 respondents as shown by table 4-10, 55% have heard about privatisation while 45% never heard of privatisation. When asked what was their source of information only 47% heard it on the news paper while 26.5% heard from friends. This shows that when comes to consulting, informing and advertising privatisation as policies; government is doing a poor job. Furthermore, these results serve to assess whether extensive consultation has taken place during the policy formulation period, and evaluate government's efforts to educate the people about privatisation.

Government or Private to service in your area?

Statistics

Government or Private to service in your area?

N	Valid	147
	Missing	1

Table 4. 12: Respondents view on private versus Government

Government or Private to service in your area?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Government	129	87.2	87.8	87.8
	Private companies	18	12.2	12.2	100.0
	Total	147	99.3	100.0	
Missing	System	1	.7		
Total		148	100.0		

Government or Private to service in your area?

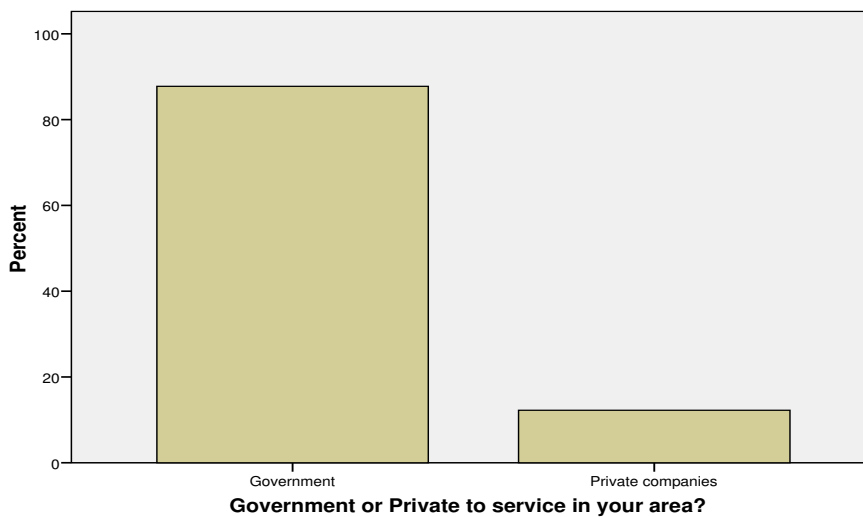


Figure 4. 12: Respondents view on private versus Government

From 148 respondents, when asked who they would prefer as service provider, in their area between government and private sector, 87.8% indicated in their responses that they prefer government as provider of basic services, instead of private sector. However, 12.2% of the

respondents disagree and think it would be appropriate that the private sector provided basic services in their area.

The poor will not be able to afford basic services

Statistics

The poor will not be able to afford basic services

N	Valid	147
	Missing	1

Table 4. 13: Respondents view on affordability of basic service

The poor will not be able to afford basic services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	116	78.4	78.9	78.9
	No	13	8.8	8.8	87.8
	Dont know	18	12.2	12.2	100.0
	Total	147	99.3	100.0	
Missing	System	1	.7		
Total		148	100.0		

The poor will not be able to afford basic services

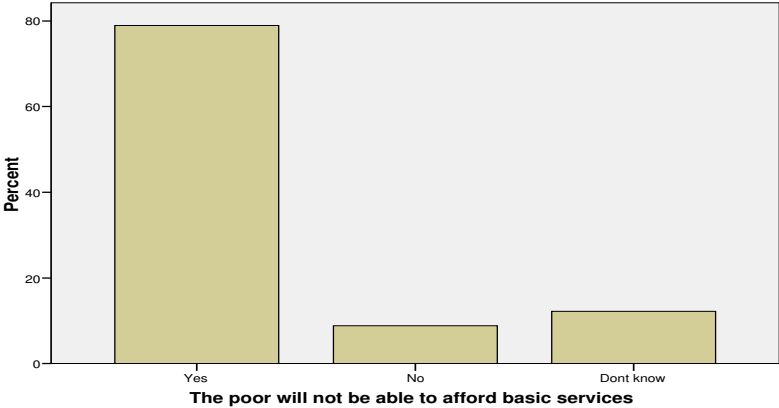


Figure 4. 13: Respondents view on affordability of basic service

From a total of 147 respondent 78.9% agreed with the research while 8.8% percent think a contrary lastly 12.2% do not know whether privatisation is the reason people can afford or not afford the basic service. According to the table above, privatisation is one of the causes people

cannot afford basic service. Taking into account that private enterprise is only concerned with profit. The figures and information emanating from the responses obtained during the survey supports the statement made by the researcher while analysing the responses. People judged from the previous question of preferred service provider, between Government or private sector, it helped in their answering of the question about job loss, which is described in table 4.14.

Jobs will be lost

Statistics

Jobs will be lost		
N	Valid	148
	Missing	0

Table 4. 14: Respondents view on job loss

		Jobs will be lost			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	115	77.7	77.7	77.7
	No	14	9.5	9.5	87.2
	Dont know	19	12.8	12.8	100.0
	Total	148	100.0	100.0	

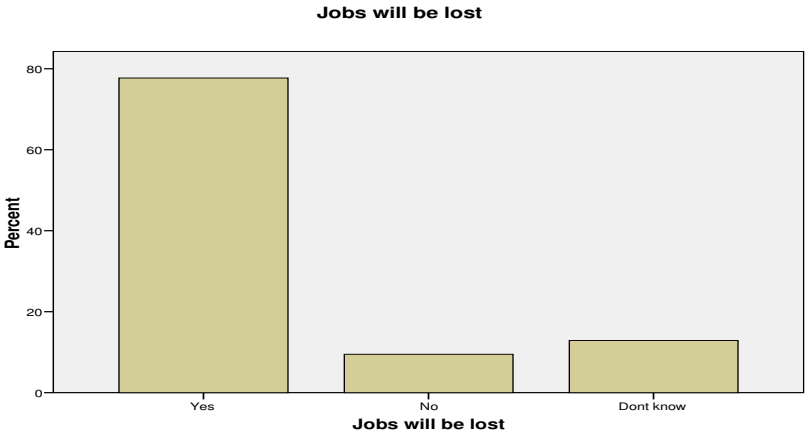


Figure 4. 14: Respondents view on job loss

When asked about their views on jobs loss, the respondent’s perception is that privatisation causes job losses. Moreover, table 4.14 and figures 4.14 indicates that 77.7% agreed with the statement and 9.5% disagreed with the statement. Respondents know that government services

provide people equal opportunities, rich or poor, compared to private sector profit driven which encourage better services for higher bidder.

Corruption takes place

Statistics

Corruption takes place

N	Valid	146
	Missing	2

Table 4. 15: Respondents view on corruption

Corruption takes place

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	110	74.3	75.3	75.3
	No	17	11.5	11.6	87.0
	Dont know	19	12.8	13.0	100.0
	Total	146	98.6	100.0	
Missing	System	2	1.4		
Total		148	100.0		

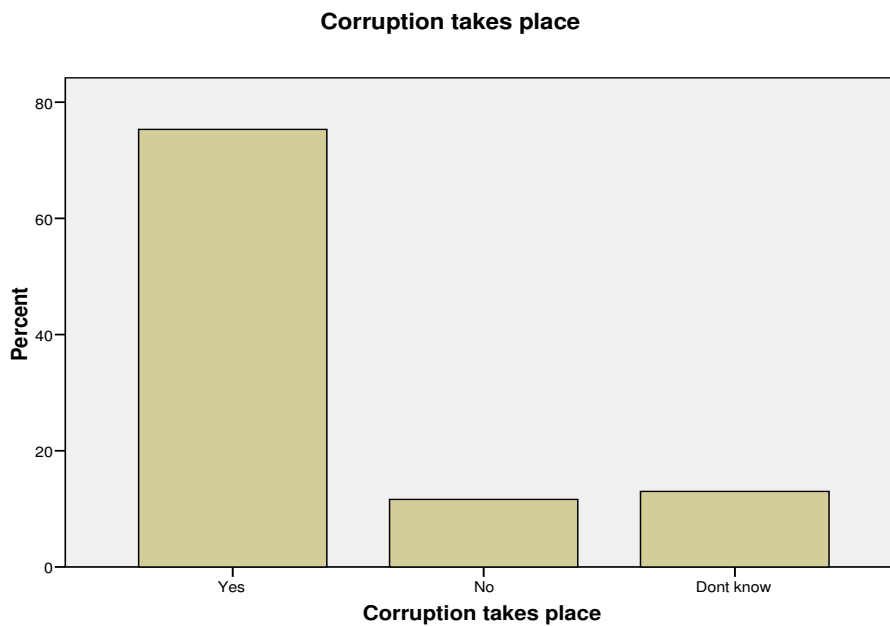


Figure 4. 15: Respondents view on corruption

As supported by the tables and figure below starting from tables and figures 4-17 to tables and figures 4-18. The table 4.15 shows that 75.3% of the respondents believe that privatisation causes corruption, while only 11.5% were on contrary. However for the researcher, these are facts worth taking into account when formulating policies, reviewing and accessing the impact of privatisation on the citizens. Whether privatisation achieved its objectives or not the answer to that is shown on table 4-17, where 64.9 % feel that privatisation causes corruption and nepotism; in a form of contracts awarded by government to private companies that have connection to relatives and friends being given preferences.

The rich gets richer

Statistics

The rich gets richer

N	Valid	148
	Missing	0

Table 4. 16: Respondents view on the subject of rich getting richer

The rich gets richer

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	107	72.3	72.3	72.3
	No	8	5.4	5.4	77.7
	Dont know	33	22.3	22.3	100.0
	Total	148	100.0	100.0	

The rich gets richer

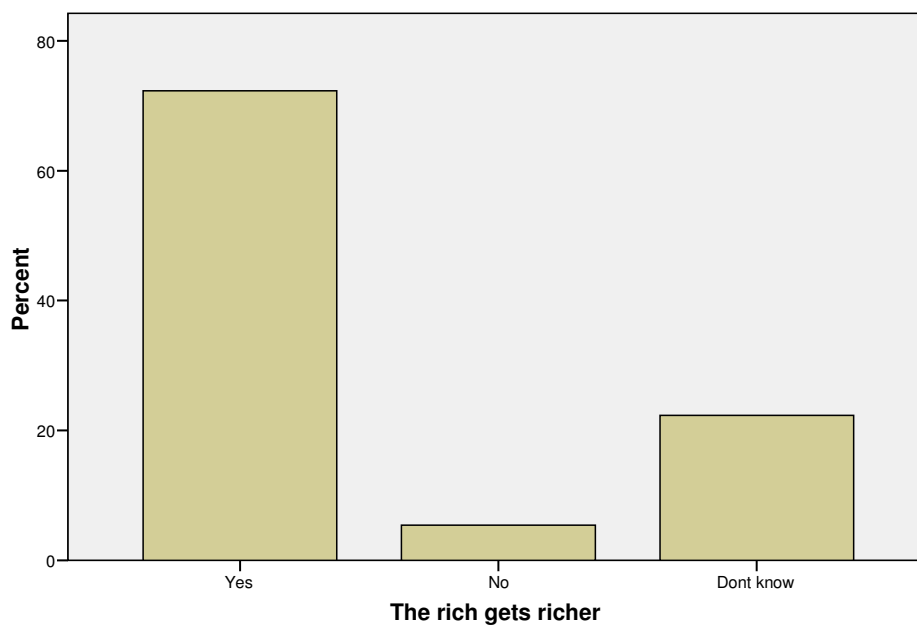


Figure 4. 16: Respondents view on the subject of rich getting richer

From the answers acquired during the survey, a total of 148 respondents when asked what their opinion are about richer getting richer and poor poorer, as reflected on the following tables 4-16 and figures 4-16, 72.3% of the respondents believe that privatisation cause to widen of gap between those that have and the ones that do not have (the rich and poor). While 5.4% contradict that opinion. Moreover, 22.3% is indecisive regarding the impact of privatisation on both social classes. The responses, serve as facts to the researcher in order to carefully assess the impact of the policies implemented by government and recommend, suitable suggestion based on the responses.

Contracts will be given to friends and relatives

Statistics

Contracts will be given to friends and relatives

N	Valid	148
	Missing	0

Table 4. 17: Respondents view in relation to contracts

Contracts will be given to friends and relatives

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	96	64.9	64.9	64.9
	No	10	6.8	6.8	71.6
	Dont know	42	28.4	28.4	100.0
	Total	148	100.0	100.0	

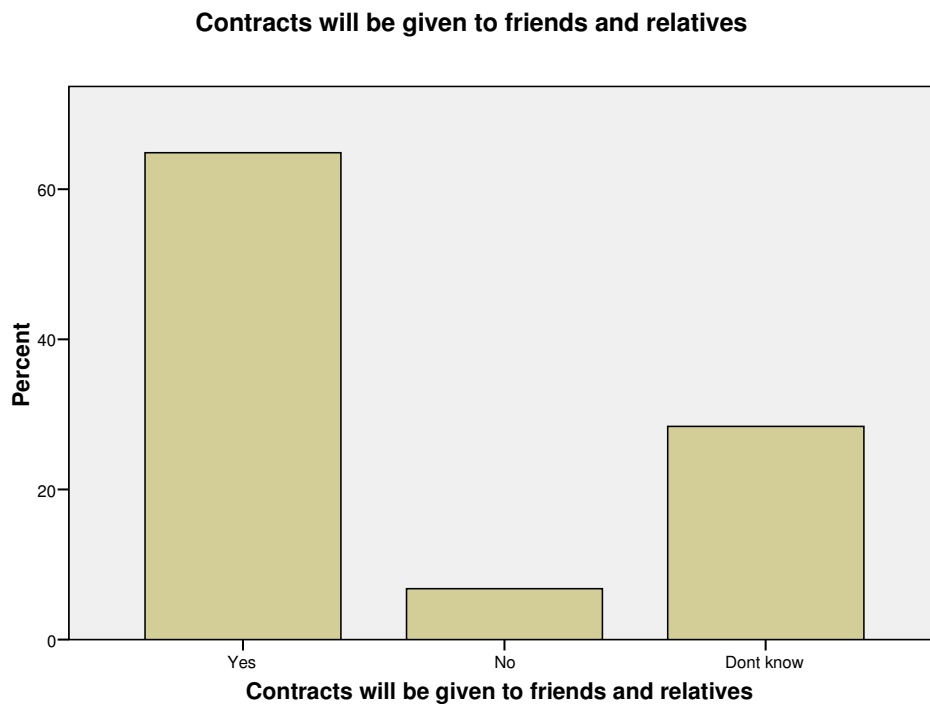


Figure 4. 17: Respondents view in relation to contracts

From 148 respondents surveyed, 64.9 % believe that privatisation causes corruption and nepotism; in relations to contracts awarded by government, it gives preferences to relatives and friends. The following table 4-16 and figures 4-16 provides, a clear understanding to the researcher about the perception of the respondents in relation to privatisation policy and its impact.

Public health, safety, electricity, and water would suffer

Statistics

Public health, safety, electricity, water would suffer

N	Valid	148
	Missing	0

Table 4. 18: Respondents view in relation to health, safety, electricity, and water

Public healt, safety, electricity, water would suffer

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	91	61.5	61.5	61.5
No	28	18.9	18.9	80.4
Dont know	29	19.6	19.6	100.0
Total	148	100.0	100.0	

Public healt, safety, electricity, water would suffer

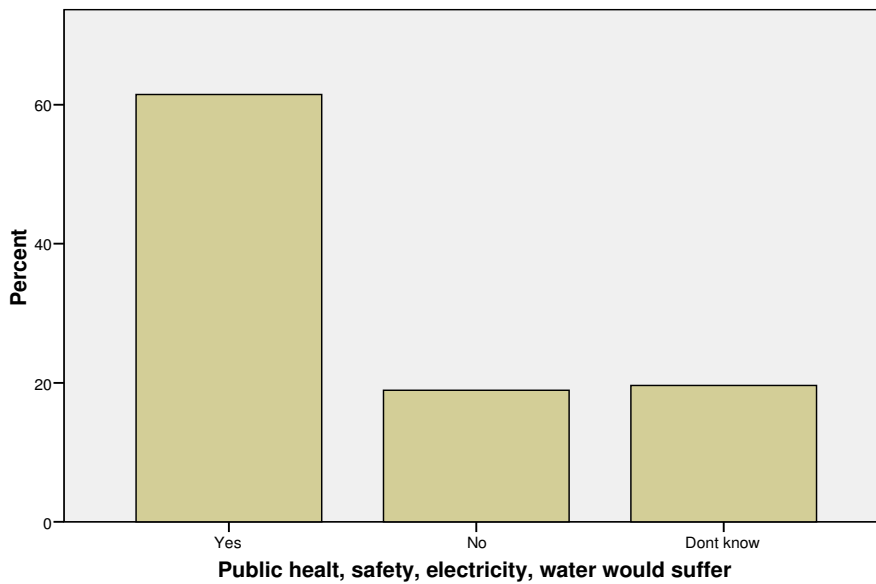


Figure 4. 18: Respondents view in relation to health, safety, electricity, and water

From a total of 148 respondents surveyed, when asked what their views regarding the impact of privatisation on the following services health, safety, electricity, and water as reflected in the table and figures 4-18, 61.5% do not agree that privatisation will improve basic service, they believe that basic service will worsen and that the people will suffer. On the other hand, 18.9% of the respondents believe that the services in these areas could improve. Lastly 19.6% of respondents do not know what the consequences could be. However the responses on the table 4.19 support the respondent’s preference of government instead of private sector in relation to provision of basic services.

Quality of service would worsen

Statistics

Quality of service would worsen

N	Valid	147
	Missing	1

Table 4. 19: Respondents view on quality of service

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	99	66.9	67.3	67.3
	No	18	12.2	12.2	79.6
	Dont know	30	20.3	20.4	100.0
	Total	147	99.3	100.0	
Missing	System	1	.7		
Total		148	100.0		

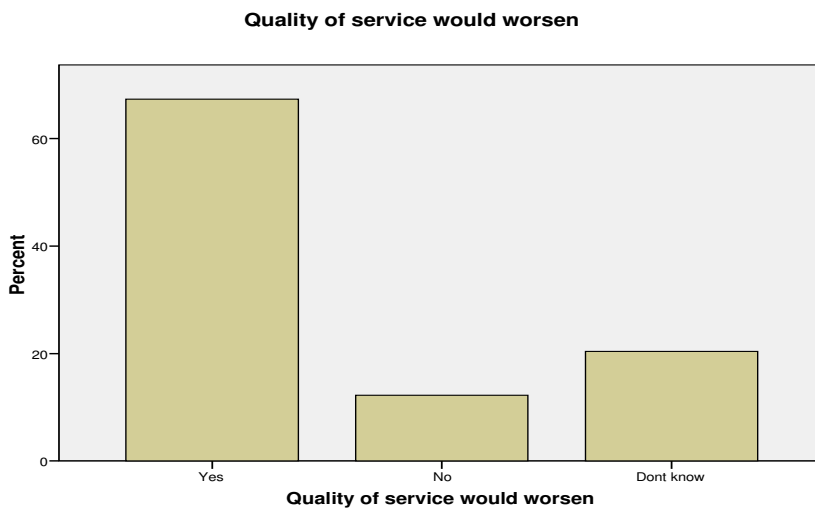


Figure 4. 19: Respondents view on quality of service

From a total of 147 respondents as outlined on table 4-19, when asked for their point of view on the quality of service, whether would improve or worsen, when this are provided by private or public companies, 67.3% of the respondents, preferred the government to provide them with basic services directly. However private sector is perceived to worsen the quality of service, while 12-2% of respondents, preferred when private sector provide for basic service.

The above tables and figures represent the quantitative data from the demographics, qualifications, gender, education and occupations of the sample group.

4.7 DATA ANALYSIS AND INTERPRETATION OF THE RESULTS

Statement One

What do you understand by privatisation?

Descriptive analysis

From the qualitative part out of one hundred and forty eight thirty five (148) respondents, thirty-five (35) did not know what privatisation was, thirty-one (31) chose not to respond at all, and forty-two (42) respondents had an idea and knowledge of what privatisation is and some within the same group had very limited knowledge of it. The other four (4) individuals had a different understanding of privatisation since one (1) understood it to mean when governments provide food and other essentials to the poor; another thought that it meant that the government detracts from its responsibilities, one (1) thought that it is when NGO do the governments work for them, and one (1) thought that it is rich people taking advantage of the poor. One respondent (1) believed that privatisation creates jobs and at times causes a loss of jobs. Five (5) individuals connected privatisation with retrenchment; ten (10) understood privatisation as job creation opportunities; and three (3) believed that it is the augment of the gap between the rich and poor.

Interpretation

Figure 4.10 reflects the number of people who have heard of privatisation, may have influenced all the questionnaire respondents, who are divided regarding their understanding of privatisation. For example, 55% have heard of privatisation while 45% never heard of privatisation before. This shows that a great number of people should know about privatisation and the impact that it has on their lives, even those who show or have very little knowledge of privatisation, which accounted for less than 50% of the respondents. How can anybody benefit from privatisation if they do not understand the processes that are involved? The other point is that it shows government is not doing enough to advertise and educate the people about what privatisation is. That alone played a big role in how people responded to the questions. One

other factor that could have influenced the way respondents answered is their qualifications. 71.6% had only attended high school. Even though there were some respondents that were employed in the public sector, it seems that there was some confusion in understanding what formal and informal sector is when comparing the place of work versus the sectors stated on the questionnaire. 14.9% of those respondents worked for the public sector, while 12.2% worked for the private sector.

Statement Two

What should the role of the government be in privatisation?

In relation to the second question, two (2) respondents did not answer the questions posed; nine (9) did not know what the government's role should be. Two (2), one did not want to comment; and the other did not respond. Twenty-seven (27) respondents asserted that the government should not sell its companies, but should rather form partnerships with the private sector because privatisation causes more poverty, because people lose their jobs which increases unemployment.

From the same group there was also a view that people's jobs should be protected and that they should be provided with the basic services directly. An interesting comment from this group made a very good analogy of privatisation, comparing it to a stranger taking care of your children, emphasising that it is best to take care of one's children with the moral being that it is best to take care of one's children or that it is best when their parents take that responsibility rather than allow someone else to do so. In the same vein, the government should not abandon its responsibilities, since privatisation is not beneficial for the people.

Another interesting comment that emerged from the same group says that the government should stop privatisation because foreigners own most private companies. There is a perception that while they own land in the country, they do not even "belong" here, since indigenous people are left without jobs because foreigners are employed and the locals become retrenched. Also, what happens to those employees below and above 60 whose foreigner employer just wake up, pack and go because they are no longer happy with the country's labour laws or when their profits begin to decrease. Therefore, an emphasis should be placed on local, direct investment as opposed to foreign investments stated a respondent.

Fifty-five (55) respondents agreed that the government should play its role of creating laws and conditions of employment that ensure a safe and secure environment. These respondents also expressed that where privatisation occurs, government should ensure that they assume the role of regulator and that jobs are not lost in the process. The rest of the respondents suggested that the government should not interfere in the process, as long as people’s jobs remained intact, or that they form partnerships with the private sector.

Interpretation

Figure 4.10 coupled with statement Two are some of the factors that influence most people to suggest that the government should play its traditional role of promoting the welfare of its citizens and at the same time protecting them. Table 4.21 shows 67.6% of the respondents believe that privatisation is a bad policy, while Table 4.20 indicates how many people have been affected by privatisation. Furthermore, a comparison of the people affected by privatisation and those who perceive it as bad, shows inconsistency from respondents, this can be attributed to lack of understanding of the term privatisation as a whole. Overall the responses show that people are not supportive of government’s privatisation. Moreover, it serves reference to the government while evaluating its policies. That will help the governments in playing its traditional role, that of promoting and protecting the welfare of its citizen.

Statement Three

Has privatisation affected you?

Statistics

Has privatisation affected you?		
N	Valid	148
	Missing	0

Table 4. 20: Respondents how privatisation affected them

Has privatisation affected you?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	29	19.6	19.6	19.6
	No	95	64.2	64.2	83.8
	Dont know	24	16.2	16.2	100.0
	Total	148	100.0	100.0	

Has privatisation affected you?

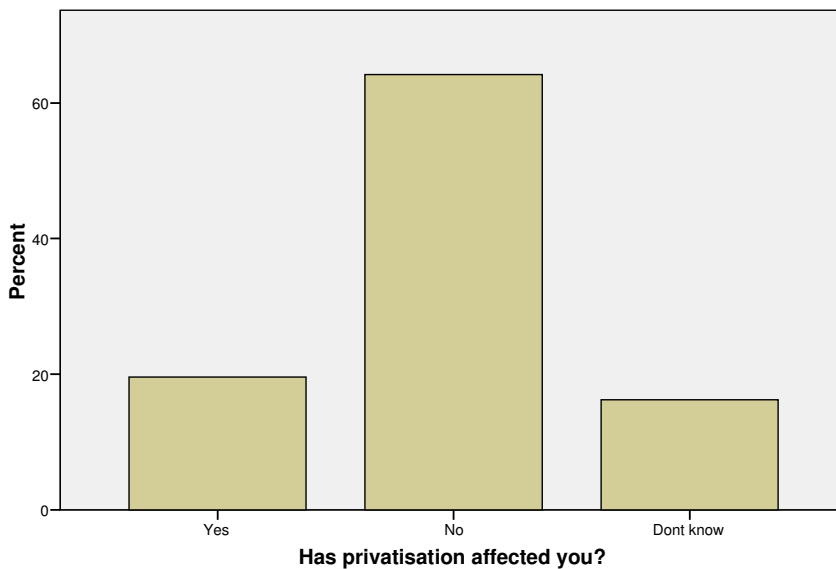


Figure 4. 20: Respondents how privatisation affected them

From the one hundred and forty-eight (148) respondents, one hundred and thirteen (113) did not respond to Statement Three (3). There was a split response to the question. One respondent did not know. One preferred not to comment. A further twenty-nine (29) agreed that privatisation has affected them. Some said that they had been directly affected through retrenchment of a family member, neighbour or themselves, while others believed that they were affected because the price of electricity and other basic services, such as education, health, water, sanitation, transport and telecommunications.

Due to privatisation, family members lose their jobs causing poverty to set in as they become unable to afford the cost of services. Some stated that the only reason private companies become interested in public enterprise is because of the profits. However, one (1) person believed that privatisation affected him/her in a positive way because it provided him/her with a

job. This is a total contrast with the tables 4.20 where 64-2% have not been directly affected. It show limited participation too because 16.2% do not know how privatisation affected them directly or indirectly.

Interpretation

The results of this question are self-explanatory because they show how many people have been affected directly and indirectly, with most stating that privatisation affected them negatively. Their perception could be caused by limited or lack of knowledge about privatisation. However, the results emanating from the survey and reflected on the table 4-20 provide a different perspective and views.

Statement Four

Is privatisation good or bad for the poor? Why?

Statistics

Is privatisation Good or Bad for the poor?

N	Valid	145
	Missing	3

Table 4. 21: Respondents view of privatisation whether is good or bad

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Good	38	25.7	26.2	26.2
	Bad	98	66.2	67.6	93.8
	Dont know	9	6.1	6.2	100.0
	Total	145	98.0	100.0	
Missing	System	3	2.0		
Total		148	100.0		

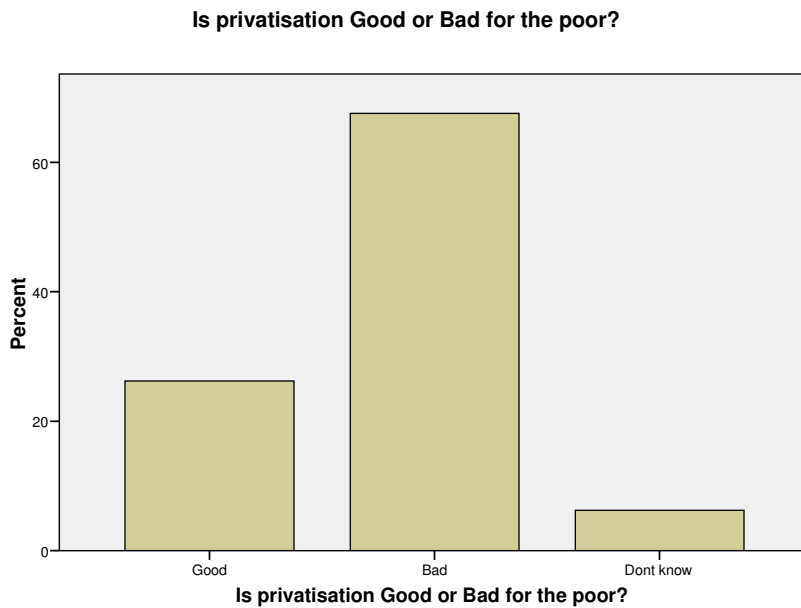


Figure 4. 21: Respondents view of privatisation whether is good or bad

A total of four (4) respondents did not answer this question. However, ninety-four (94) respondents state that privatisation is bad for the poor because it takes from the poor and gives to the rich. An example cited was that CEO salaries and retrenchment cause poverty. They were unanimous that ordinary people will suffer since the rich get richer and basic services become too expensive for them. Families become disintegrated when the breadwinner loses his/her job and cannot afford to put food on the table. They further believe that privatisation causes retrenchment and exploitation due to the fact that most people work on a contract basis or have a temporary casual status. This information is supported with the results of the survey questionnaire where 67.6% percent agreed that privatisation is bad for the poor.

They stated that private companies do as they please so that they may gain and that privatisation increased the gap between rich and poor. One respondent from the group stated that if privatisation is monitored it can achieve its objective. Thirty-nine (39) believed that privatisation is good for the poor because it creates and increases job prospects and that privatisation does what the government cannot. It does not discriminate against anyone because one can get jobs regardless of race or education. Even though not everyone would benefit, it would reduce poverty and provide blacks with an opportunity to own companies, whereas the government does nothing for the people and only wants their votes.

The rest of the respondent, (10) ten, were uncertain as to whether privatisation was good because it creates jobs or bad because individuals also lose jobs because of it, particularly when they are breadwinners. They added that poverty increases when people are retrenched. They would support privatisation if its main purpose were to increase employment.

Interpretation

The overwhelming response of this research, including the results of this statement, can best be interpreted as a call for a change of course regarding the macro-economic policies and the government’s commitment to improve the life of its citizens. This statement can also serve as an indicator as to how citizens view privatisation policies and its impact. Firstly, policies do not produce the expected results. Secondly, disagreement with the statement can be interpreted as a lack of confidence in the government and its macro-economic policies’ ability to improve the lives of the citizens of this country.

Statement Five

Has privatisation achieved its objective?

Statistics

Has it achieved Its Objectives?

N	Valid	146
	Missing	2

Table 4. 22: Respondents view Of privatisation objectives

		Has it achieved Its Objectives?			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	19	12.8	13.0	13.0
	No	49	33.1	33.6	46.6
	Dont know	78	52.7	53.4	100.0
	Total	146	98.6	100.0	
Missing	System	2	1.4		
Total		148	100.0		

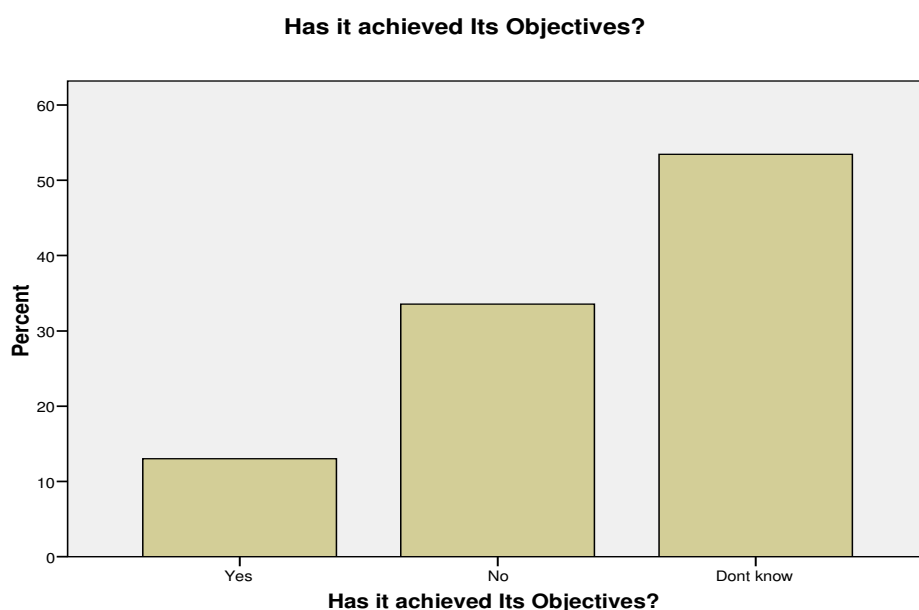


Figure 4. 22: Respondents view of privatisation objectives

Of the hundred and forty-eight (148) respondents, nineteen (19) of the respondents agreed that privatisation has achieved its objective in creating jobs or more employment. One (1) said that he/she did not know whether it has indeed achieved its objectives. Six (6) disagreed and felt that privatisation had not achieved its objectives owing to the increased number of retrenchments and job losses. One hundred and twenty-five (125) respondents preferred not to answer the statement. The same question was asked in quantitative form and resulted in the following answers: 13% responded yes privatisation achieved its objectives, while 33.6% said that privatisation did not achieve its objectives lastly 53.4% percent of respondent on the same report were indecisive.

Interpretation

The responses of this statement underlined a dominant lack of knowledge about whether privatisation had achieved its objectives, which can be attributed to two factors, namely ignorance and a lack of adequate publicity of privatisation's achievement. Thus it shows contradictory answers and disparities from the respondents. The quantitative part shows the respondents discontentment, while the qualitative part shows the contrast. The responses first indicate confusion. Secondly, it is clear from the answers that there is a dominant lack of knowledge about whether privatisation achieved its objectives.

Statement Six

Will the government reduce poverty and inequality in income redistribution through privatisation?

Statistics

Will Government Reduce poverty and inequality in income redistribution through privatisation?

N	Valid	144
	Missing	4

Table 4. 23: Respondents view on poverty and inequality in income redistribution

Will Government Reduce poverty and inequality in income redistribution through privatisation?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	42	28.4	29.2	29.2
	No	66	44.6	45.8	75.0
	Dont know	36	24.3	25.0	100.0
	Total	144	97.3	100.0	
Missing	System	4	2.7		
Total		148	100.0		

Will Government Reduce poverty and inequality in income redistribution through privatisation?

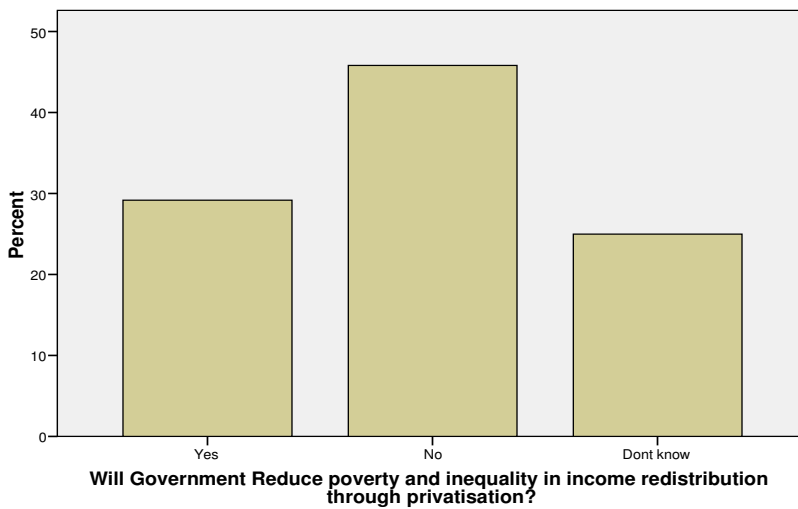


Figure 4. 23: Respondents view on poverty and inequality in income redistribution

Of one hundred and forty-eight (148) respondents, forty-six (46) did not respond to the question. Three (3) of the respondents said that they are not certain; three (3) had no comment and one (1) did not know. Thirty-one (31) agreed that privatisation, as a government policy, can reduce poverty and inequality in income distribution because it creates jobs. The other sixty-one (61) did not agree with the statement and cited the constant retrenchment. They believe that the government should be rendering services and not seeking profits. Therefore, they believe that the government should promote the welfare of their citizens.

One respondent raised the question of what evidence does the government have that suggests that privatisation works better than government-controlled environments. The respondent continues to say that privatisation is merely another scheme for the rich to become richer. He/she states that the government is not there for profit but to render service and promote the welfare of its citizen. Therefore, they can do a better job than the private service. One respondent asked what will happen if the owner or investor decided to withdraw from the country? What happen to jobs? Thus, he/she advised direct local investment. Another question from this respondent is what facts does the government have that privatisation is working better than government? Furthermore, the information from table 4-23 supports the answers from the qualitative studies.

Interpretation

This statement is straightforward and the results from the respondents is a reflection of how ineffective the government has been with its policy and shows a lack of confidence on their ability to produce results with its macro- economic policies.

Table 4.23 could be a contributing factor in comparison to the number of respondents who believe that privatisation cannot reduce inequalities against those who believe that it does. Furthermore Table 4.18 shows that the perception is that the poor will not be able to afford services if the government privatises them. The answers reflect the general feeling of the respondents.

Statement Seven

Should the government privatise basic service or provide them directly?

Statistics

Government privatise basic services or provide them directly?

N	Valid	132
	Missing	16

Table 4. 24: Respondents view about privatising or providing basic service directly

Government privatise basic services or provide them directly?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	41	27.7	31.1	31.1
	No	58	39.2	43.9	75.0
	Dont know	33	22.3	25.0	100.0
	Total	132	89.2	100.0	
Missing	System	16	10.8		
Total		148	100.0		

Government privatise basic services or provide them directly?

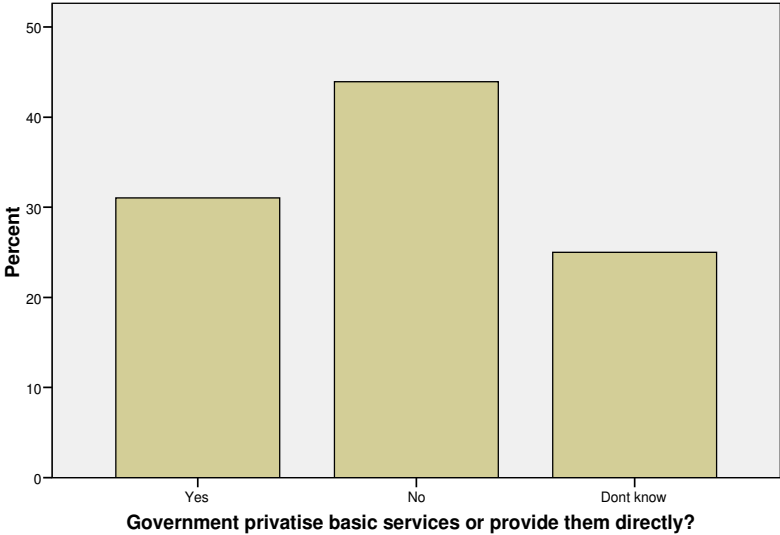


Figure 4. 24: Respondents view about privatising or providing basic service directly

From the Qualitative responses a total of one hundred and forty-eight (148) respondents, thirty-five (35) did not respond to the question; however ninety-seven (97) have unanimously stated that the government should not privatise its basic services and that instead it should render or provide them directly to the public as part of its responsibility to promote the welfare of its citizens.

The government should not shy away from its duties. Privatisation may cause people to not able to afford basic services, thus causing chaos. In certain instances they believed that even if privatisation improved the quality of services, it would only be the rich who would be in a position to afford them. One (1) respondent did not know how to respond while two (2) others stated their uncertainty saying that anything that reduced poverty and improved the life of the poor would be good whether it is the government providing services or private companies. This information is in concordance with the responses obtained on table 4-24.

Interpretation

Even though government reports portray the image that the people of South Africa are in favour of such policies, and not merely a handful of businesspeople, this statement clearly shows how many people think that government services should not be privatised since these are part of the government’s duties towards its citizens.

Table 4-24 shows that 87.8% of the respondents believe that the government should provide services directly. In comparison, 12.2% support basic services being privatised. The reason can be pointed out in Table 4.15 where respondents believe that jobs will be lost and this is supported by the results of Tables 4-18, 4-19, and 4-21 where the latter believes that the poor will be poorer and the rich richer.

Statement Eight

Is there any alternative to privatisation?

Statistics

Is there an alternative to privatisation?

N	Valid	121
	Missing	27

Table 4. 25: Respondents alternative solution to privatisation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	58	39.2	47.9	47.9
	No	8	5.4	6.6	54.5
	Dont know	55	37.2	45.5	100.0
	Total	121	81.8	100.0	
Missing	System	27	18.2		
Total		148	100.0		

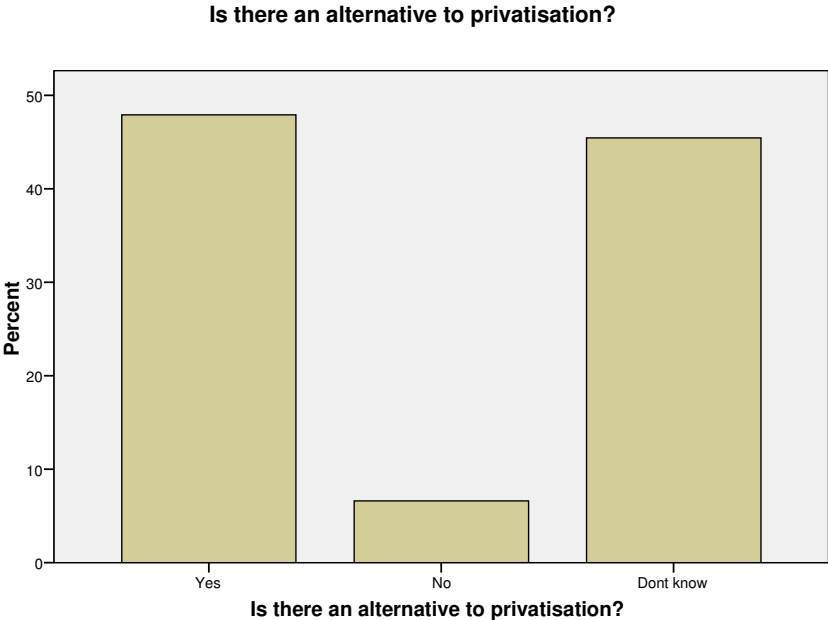


Figure 4. 25: Respondents alternative solution to privatisation

A total of sixty-one (61) respondents stated that privatisation should end and that it is the government’s role to provide services to its citizens. A question arose as to what the government will be doing if everything will be done by the private sector. They also suggested that the government should purchase certain companies and in that way re-purchase privatisation. In fact, one (1) respondent believed that privatisation should be banned in South Africa, as the government cannot allow a “stranger” to provide for its people, since they do not have the interest of the citizens at heart. Fifty-nine (59) respondents did not answer to the question, while nine (9) suggested that the government and private sector should form

partnerships but with the government having more shares and thus allowing it to have the final say in matters that compromise services to the citizens. However as reflected on the table 4-25, 47-9% of respondent think that there is an alternative for privatisation while 45-5% percent do not know whether there is an alternative to privatisation.

Interpretation

According to the respondents, it is clear that privatisation does not enjoy the support of the masses that matter most. The responses from this statement show that sixty-one (61) out of one hundred and forty eight (148) respondents believe that privatisation should cease because of the results. Nine (9) suggested a partnership between the government and private sector. In other words, people prefer nationalised companies or when the government renders services directly, instead of private companies. Therefore the government should not be under any illusion that privatisation works and affects the masses positively. Furthermore, the masses are not supportive of such policies. One factor that leads the government to believe that its policies have achieved results is the superficial economic growth, which, in reality, does not translate as a direct benefit to the people, but for a few entrepreneurs whose companies profit from that. However, the general view based on the responses from Table 4-18 to Table 4-21 and 4-25, supports the view that the poor will not be able to afford basic service, jobs will be lost, corruption takes place, the rich get richer, contracts are given to friends, public health, safety, electricity, water suffers, and the quality of service worsens and that an alternative policy should be put in place.

4.8 CHAPTER SUMMARY

This chapter has provided two main areas and objectives of focus. The first one was to present the research instruments that were used for data collection on the study, which pertained to the socio macro-economic impact of privatisation in the Western Cape with specific reference to the township of Khayelitsha. After identifying the research tools that were used (namely a questionnaire), the steps were taken to avoid bias. The second objective of this chapter was to present the data collected and analyse the results thereof.

The methodologies and purpose of the study were all placed in a central position by testing their relevance, and eventual reliability, in respect to the study. The following chapter deals with the findings, resolutions and recommendations of the research study.

CHAPTER FIVE

RECOMMENDATIONS AND CONCLUSIONS

5.1 INTRODUCTION

The previous chapter focused on the results of the empirical study. This chapter integrates the findings of the literature study with the actual results of the empirical study. Even though very little printed information was available in relation to the impact of privatisation in the Western Cape with specific reference to Khayelitsha, the researcher has reached conclusions and recommendation emanating from the study that was evaluated.

Self-evident truths are frequently invoked when scholars and policy-makers propose political reform. In this case, the government and proponents of privatisation claim that it creates jobs, augments government efficiency in service delivery, improves quality of lives, and increases economic growth. Those who are against privatisation rebuke this, claiming that it causes retrenchments, increases the division between the rich and poor, and decreases affordability for the poor. Furthermore, the debate continues without proper research and facts, which prove both statements. The implication of this assertion is that common sense dictates our understanding of the problem and solution. The fact that something is widely believed does not make it correct (Balkwell: 1991).

5.2 CORE PROBLEM

As mentioned in the first chapter of this research, the core problem addressed by the researcher has been:

“Privatisation does not create jobs; neither does it reduce inequality and poverty. It has caused job losses”.

In order to address this problem, it was decided to respond to questions raised in chapter one pages 4 and 5 it into the following problems, coupled with its impact:

- Why is government privatising and what will the role of the government be with regard to privatisation?

- Has privatisation failed or achieved its objective to create more jobs and realise economic growth?
- Is privatisation the solution to job creation, reducing poverty and inequalities?
- Do the poor (unemployed/working class) reap the benefits from privatisation in the Western Cape (Khayelitsha)?

For an understanding of the subject of privatisation and its macro-economic impact on the poor within the Western Cape with specific reference to the township of Khayelitsha, the research had become necessary. The following is the interpretation of the findings, conclusions and recommendations.

5.3 CONCLUSIONS

The researcher concludes from the empirical survey conducted throughout the study that the community of Khayelitsha does not agree with the government's privatisation of basic services. It is imperative that the government should encourage national investment by local businesses and general entrepreneurship spirit. The government should design policies that enable small businesses to grow. Therefore, privatisation is not a blanket solution for the problems of poorly performing state owned enterprise (SOEs).

Foreign investment is effective over the short term. While that investment can be transferred to a country, which seems viable for the owners of the business in most instances, whether it is locally or invests outside but the capital is repatriated. Also, programmes that instil in the youth, from an early age, the idea of creating jobs through a school-designed curriculum, by doing that, more creativities and entrepreneurial spirit is inculcated into our minds. Jobs can be created without privatisation; in fact, privatising only leads to retrenchment owing to the fact that new owners want to make profits.

By privatising, it gives the impression that the government's role is not to protect the welfare of its citizens. Models can be created that suite the country and trends that are applicable worldwide should not be followed. A model can be designed, which is suitable for South Africa where the majority of the population is poor. A democratic country can exists where its population owns all the state facilities without giving it away to the private sector whose only objective is to accumulate profits.

Finally, privatisation provokes more retrenchments than job creation and does not benefit the poor who cannot afford the services and cost of private companies. From the study it is clear that people prefer the government to provide services directly to them. Experiences show that privatisation is not advantageous for the poor. Neither does it create jobs. The conglomerates want to continuously accumulate capital at the expense of the poor. Therefore, the South African government should reconsider privatisation and find a model, which should suits the economy as well as the country. In the new constitutional democracy, where investment in wellbeing of people and her prosperity is priority.

5.4 INTERPRETATION OF THE FINDINGS

Internationally, particularly in South America, Eastern Europe, and Africa, reports on the issue of privatisation and its impact has created a great debate, with some groups advocating privatisation and others vying against it. Those in favour of privatisation state that it creates jobs, brings economics growth, reduces poverty, and helps to reduce the waste caused by government by promoting efficiency. However, the other group counters this by stating that it promotes corruption, the poor become poorer, while the rich become richer, and the poor can no longer afford basic services.

No doubt, that privatisation in South Africa is still very much in its infancy stage and has a long way to go. What is, however, a fact is that private companies and the government do not report on the impact of privatisation to the communities and when they do so, they do not reveal the negative impacts of it. They should inform the public of the successes and failures of privatisation: exactly how many jobs are created in the public sector against those in the private sector, how efficient is the affordability, and how many jobs are lost owing to retrenchments. It is important to note that reporting should not be glitzy media reporting meant to impress civil society and the world, in general, but factual reporting on what the government's achievements are with privatisation. Issues should be addressed where they have not been successful and what future endeavours they have, which should be evident the government's annual reports and some coverage in parliament and statistics on South Africa's home page. Nothing meaningful could be found about the government's privatisation and their achievements for the research, except the negative highlights from those who are against the concept of privatisation. Which is not the intention of the researcher but to expose the reality associated with privatisation in the lives our people.

It was established that international privatisation could be traced to 1930. It is a fact that the government of the Germany National Socialist Party sold off public ownership in several state-owned firms in the mid of the 1930s. In more modern times, Bel (2006) asserts that the privatisation of large parts of the public sector has been one of the defining policies of the last quarter of the twentieth century. Privatisations in Chile and the United Kingdom, which was implemented at the beginning of the 1970s and 1980s, are usually considered the first privatisation policies in modern history. In South Africa, the centrepiece of this policy, in the old dispensation, was the White Paper on Privatisation and Deregulation in the Republic of South Africa, 1987. The White Paper offered a classic analysis of the over-burdening role of the state and its tendencies to dominate economic life at the expense of the private sector.

From the literature review, it is clear that privatisation has caused heated debates. Also emanating from the study is the notion that by privatising the essential services the private sector takes over the government's duties. However, from the research it is clear that the government should play its role of promoting the general welfare of its citizens and protect them by providing affordable basic services and social needs that empowers individuals socio-economically and not bow to pressures from huge, financial institutions and conglomerates.

After evaluating the community of Khayelitsha, it is evident that they have not benefited as predicted that privatisation would improve their life as it creates jobs. Services, such electricity, are not affordable.

The government has done an effective job placing structures and policies in place in order to address the imbalances of the past, while some have achieved its objective policies such as Black Economic Empowerment, Affirmative Action, RDP and GEAR. However one of its tenets, privatisation, emphasised that by so doing the will be economic growth and job creation but that does not reflect the reality on the ground while the initiative should be welcomed, a line should be drawn between privatisation and private companies.

Whereas economic growth is acknowledged, that does not translate into job creation, affordability of basic services, or poverty alleviation. During the research, the discontentment was visible from the public and their views indicated that if the claims that privatisation created jobs were indeed real they would support privatisation.

The other observation is that the public knows very little about privatisation's impacts, its objectives, as well as the positive and negative aspects and how to go about participating actively in order to test it. It is very clear from the literature that the government has one

objective and obligation toward its citizens that is to create a better life for all and to ensure their sustainability. Even though much progress has been made in other areas, privatisation is not the ideal policy for South Africa.

The findings reveal that a majority (97.3%) of the respondents were African and are inhabitants of Khayelitsha. It further indicates that, in relation to its geographical location in the Western Cape, only the semantics have changed but the plan is still the same since there are still black areas, coloured areas, and white areas. The findings also reveal that 71.6% of respondents have Grade 8 to Grade 12. The majority work in the informal sector, however, during the period of collating the data, a contradiction or lack of understanding was picked up from the respondents who would respond that they sector they informal sector but when asked they would say that the majority worked in the public sector where the majority work only proving that the government is the biggest employer. In relation to the promises of job creation and poverty the research show that there is no correlation between privatisation poverty alleviation and job creation it is clear that there is exploitation in order to increase profit, the salaries were poor with most earning between five thousand and one thousand.

Fifty percent (50%) had never even heard of privatisation. From the research it is clear that a majority (64.4%) were never affected by privatisation be it positive or negative and that is directly while 19.6% were affected by privatisation via losing jobs when companies are retrenching, lastly 66.2% stated that privatisation is not good for the people.

The findings reveal that 87.8% believe that the government should provide basic services and that privatisation cannot create jobs or reduce inequalities in income redistribution. The findings further indicate that according to the people, jobs will be lost if privatised, as they will not be able to afford the services. In general, opinions from the public are that the government should discontinue privatisation because it does not benefit the public that it intends to serve.

One important issue for the government is that it can therefore be said that privatisation should be carefully reviewed and explored as a policy option. The government should consider discontinuing the policy course and explore the role of the government. If private companies take a leading role, one can assume that the community will reap few benefits from privatisation. However, it further divides the community and areas that previously had access to services, which they continue to have owing to private companies need to increase profits, and for investments to take place.

In conclusion if the aspects emanating from literature review, the empirical study and the analyse of the impact that privatisation has in its citizen as per indication from chapter 2 then could be said that the government form of privatisation is certainly not achieving the expected objectives. It is clear that the government intend to alleviate poverty, create jobs but the method used is not the appropriated. It is suggested from the respondents that a change of course occur.

5.5 RECOMMENDATIONS

The following are the major recommendations, which emanate from the research study. This should be considered by government and could help the government's need for economic growth, poverty alleviation, while at the same time creating employment. Privatisation is unique since no single approach can be suggested because all models should be tested against the effect it has on the individual countries and its citizens.

The creation of jobs within the state sector itself is important were by individual employee are given jobs based on merit and salaries should be Market related. These will improve the quality of service, efficiency, and effectiveness.

By its own admission, GEAR and privatisation, specifically, have not met its target of job creation to eradicate poverty.

- National enterprises should remain untouched owing to the fact that they were created to fulfil government duties.
- Procedures, structure, and models should be implemented from recruitment, evaluation of the staff to be employed, coupled with this the salaries should be market related. Appointing managers and set contracts based on performance appraisal with set objectives, pay its employees and managers a competitive salary to avoid losing them to the private sector.
- The government should create a commercial wing and these enterprises should serve as instruments to market essential services and provide more specific needs while at the same time raise enough capital to subsidise unproductive departments. Practical example is the existence of a commercial wing created (SARU) South Africa Rugby Union, namely SA Rugby pty

- The creation of public–private partnerships in certain area that is of less national interest.
- Cooperatives for specific people with specific needs and skills and the same interest of running a business but with no resources.
- The government should invest in creating more jobs in the public sector in order to diversify the investments, and run it efficiently and effectively in order to compete with the private sector but bearing in mind that it should make a profit without disregard to its welfare responsibilities toward the public the role of government is not to make profit but rendering services.
- The creation of protecting policies, regulation, for local businesses, that would provide radical support for small businesses and, rewarding companies for purchasing local products and investing local.
- A rigid campaign should be established toward stimulating citizens toward appreciating and supporting local products and the effect it have in creating jobs, at the same time, should reward companies for the best and competitive prices, affordability and quality.
- The creation of a quota for every international product, which enters the country and is bought abroad to help local companies that do not have the capacity to compete equally with foreign business.
- Subsidise the main sectors of the economy thus allowing them to give competitive prices and be on par with Western products, which are subsidised by their governments.

It is also recommended that an analysis should be made of privatisation, in terms of improving and seeks options of the concept within a South Africa context.

- The government should review its policy and end privatisation in its present form and what role they play and why they exist.
- Should they continue, a revised version should be implemented based on communal values and the African concept of UBUNTU.

- Therefore, government departments that wish to privatise its operations, forms or methods, should do so by placing the interest of the people who work there or the surrounds first. This should facilitate the government to redistribute its resources equally and still achieve its objective of promoting the welfare of its citizens.
- A socialist democratic system based on that of Scandinavian countries should be studied the advantages and disadvantages.
- A political system that allows people to see facts rather than assumptions.
- Finally, with the help of Statistic SA, they should study the impact of privatisation on poor communities and not focus on middle classes, or a questionnaire should be sent to universities and should be available on all government department websites for completion by anybody thereby ensuring great community participation and on ample view of people's needs and reactions. Furthermore privatisation is not an appropriate policy for a country like South Africa with its imbalances.

5.6 IMPLICATIONS FOR FUTURE RESEARCH

Although the government's statistics shows a boost in economic growth, poverty and a lack of employment, as well as minimal jobs, created remain an area of paramount importance and concern, since there is no sign that the government intends to review its macro economic policy, GEAR with specific reference to privatisation.

In spite of all the effort from the state, the expected results were not visible from secondary sources since it was deduced that this area of insufficient research and the existent? Were not objective as there are many areas that lend themselves to continued empirical investigation.

This research was orientated towards evaluating the socio economic impact of privatisation on the poor. Further research could be broadened. An in-depth study is needed to establish whether economic growth creates jobs or employment. Another area is whether privatisation causes poverty and corruption. It will also be in the interest of the government to understand whether private companies are more efficient and effective than the public sector and why does the government not implement plans to make the public sector more efficient and effective.

Furthermore, the researcher strongly recommends an in-depth investigation into what the role of the government will be if it continues to privatise basic services and whether it will cause corruption. Also, what alternative policies would be suitable for the South African context, given its background? Lastly, an investigation should be conducted to see how privatisation could be integrated into African values, customs, habits and ancient economic systems as a basis for an egalitarian economic system.

The above-mentioned research further reveals that continuous research on this field is necessary and the main question should not be what the impact of privatisation is, but what would a suitable policy for South Africa and whether it will play its role in helping the poor. Only when an efficient, effective economic system that benefits all is found and a sustainable way to create jobs is established, will the government cease to deal with the problems created by the present form of privatisation.

Finally, the ripple effect of joblessness and unemployment is poverty, which causes crime, prostitution and divides families. One way to eliminate such effects is to motivate people to become self-sustainable and employed.

5.7 CONCLUDING REMARKS

In conclusion it is necessary to take into account that government in principle have the interest of its citizen at heart as depicted in the literature review. However it is not having the expect result. Therefore urge the need to re-visit its policies and change course if it want to render service and protect its citizens, it is clear from the questionnaire that people are not aware of the existence of such policy privatisation, most did not even know the difference of working in the formal and informal sector which most of them are.

The study also highlights that people are being unable to afford basic service, and that many are being retrenched.

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APPENDIX

Survey to investigate the socio economic impact of Privatisation in the Western Cape with specific reference to Khayelitsha

This questionnaire is designed to find out about the socio-economic impact of privatisation, and what benefits it brings to those communities. The outcome will assist and guide the government in drafting new macro-economic policies, amending the existing ones and seeking alternative, sustainable job creation methods, in order to help eradicate poverty and inequality.

What we will do with the results

- Firstly, please be assured that individual responses will be kept secure and in complete confidence.
- Secondly, the findings will be analysed and summarised.
- Thirdly, the summary of the findings will be made available to all interested stakeholders and to members of the community.
- Finally, the summary of the findings may be published academically (i.e. in research journals in South Africa and elsewhere), should they merit the attention of researchers and others who are work to improve the economic status of communities.

Note:

- Please attempt to answer all questions.

Joao Mateus Domingos

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Questionnaire No.1

SECTION 1

General information

Interviewer: _____	Date: _____
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Q1

Q1 Please indicate whether you are (Tick one box)

Male		(1)
Female		(2)

Q2 What is your age? (Tick one box)

Under 21		(1)
21 – 30		(2)
31 – 40		(3)
41 – 50		(4)
51 – 60		(5)
61 or over		(6)

Q3 Your Race (Tick one box) Q3

Asian		(1)
White		(2)
African		(3)
Coloured		(4)

Q4 Please indicate your highest level of Educational achievement (Tick one box)

Primary (Grades 1-7)		(1)
High School (Grades 8-12)		(2)
Vocational/ Professional		(3)
Diploma / 3yr degree		(4)
4-yr degree		(5)
Post Graduate		(6)

Q5a Please indicate whether you are (Tick one box)

Employed by other		(1)
Self- employed		(2)
Unemployed		(3)
Student		(4)
Retired		(5)

Q5b Please indicate your Economic Sector of employment

Formal		(1)
Informal		(2)

Q5c Please indicate whether your employment is

Full Time

(1)

Part time

(2)

Please indicate whether you work for

Government

(1)

3

(Tick one box)

Private Company

(2)

NGO

(3)

Nobody

(4)

Q7. Please state your monthly income

Salary Expressed in Rands	Tick as many as appropriate)	Q7
R 500-750		1)
R 751-1000		2)
R 1001-2000		3)
R2001-5000		4)
R5001 – R10000		5)
Any other (specify)		6)

SECTION 2

Q8. Have you heard about privatisation? Yes No

If yes where

where	Tick one box)	Q8
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News Paper		(1)
Radio		(2)
Friends		(3)
Internet		(4)
Television		(5)
Any other (specify)		(6)

Q9. What do you understand by privatisation?

(Comment freely)

Q10. What should be the role of Government be in privatisation?

(Comment freely)

Q11. Has privatisation affected you? YES NO Do not know

If Yes how *(Comment freely)*
