



B L A C K S A S H
MAKING HUMAN RIGHTS REAL

Joint Black Sash Submission to Parliamentary Portfolio Committee on Economic Development

WALMART/MASSMART MERGER

Black Sash in partnership with the following Civil Society Organisations (South African Youth Council, SANGOCO, SPII) wishes to join trade unions and other interested parties in these hearing and share its perspective with Members of Parliament the social cost of these kind merger.

Emerging economies across the global community has been attracting capital inflows either in a form of short term investment and merger. This happens against the backdrop of real need for long term investment for governments to meet the socio-economic needs of its population either through provision of social wage or activation of labour markets. These capital injection create indirect leakage in the economy (particularly mergers) because the funds generated by shareholders are no re-invested back in the economy to build the industrial capacity. The practice is that shareholders spend the revenue on consumption goods or invested off shore. Experience has taught us that the real benefits to the economy are not only minimal but short-lived. The social cost of these transactions benefits few individuals who already control the national means of production and have severe consequences for economy like South Africa which require strong domestic resource mobilization in a form of savings and foreign direct investment to meet underdevelopment challenges and overcome social inequality.

Like any other emerging economy South Africa welcomes this type of financial capital injection and the rigorous test the merger has gone through including testing the strength of South African competition laws. However, as civil society organisations we have serious concerns about the judgement of the competition authorities and their future implication of the South African society. The concerns stems from the following reasons:

- a) The social inequality in South Africa is not only due to poor social policy interventions or lack of pro-poor budgeting by government but it is fundamentally attributed to lack of access to labour markets and huge income insecurity for the many households.
- b) The judgement is not only an assault to a struggling sector due to high imports which has resulted to casualization and displacement of workers, subjecting many household

into chronic poverty. It also gives blank cheque to Walmart to downsize or rationalize workers at its will after 24 months.

- c) This sector has also been subjected into global prices forcing closure of small suppliers and massive loss of jobs.
- d) Most of the workers in the retail sector have no social insurance except unemployment insurance on termination of contract.
- e) This sector attracts young school leavers with no skills or with matric as the only qualification. It is a sector that is dominated by women given its link to textile and food industry.
- f) The judgement has also reinforced the oligopolistic and concentration of this sector into few owners.
- g) The judgement excludes support for training but supplier development fund, who will benefit.
- h) The 36 months (three year) and 24 months (two years) window period undermines the “Decent Work” agenda in South African which has been agreed to by social partners. Once these workers face retrenchment after the window period, they will be absorbed by informal economy.

The merger will have a minimal impact to industrial development, employment including local manufacturing and economic development. The above mentioned civil society organization wish to make oral presentation during the public hearing.

Lastly the key issue we wish to table to Members of Parliament is the inclusion of social justice agenda in foreign direct investment and capital inflows to South Africa. We expatiate on this in detail during the oral presentation.

For further information please contact

Ms Phelisa NKOMO

Advocacy Programme Manager

Black Sash

Tel: 072 613 3577 or phelisa@blacksash.org.za

in the Global South has experienced different type of ve been South Africa like any other emerging economy