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Labour Market Flexibility: will a social pact help?

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When we talk of labour market flexibility, labour flexibility, there are a few studies that have been conducted into that question in South Africa. In 1996 Guy Standing of the ILO conducted research into the labour market flexibility in South Africa. The outcome was that labour market flexibility or lack thereof is not one of the problems facing the South African economy. Many research projects have been conducted since then, including the one conducted by the Department of Labour in 2004. Therefore there is no research finding to the effect that labour market flexibility is a problem in South Africa. As a matter of principle, I assume, neo-liberal economists have kept this issue on the agenda, ignoring all those findings. Basically the debate we are having is not a debate that seeks to establish facts – facts have been researched and it has been established that the labour market in South Africa is very flexible.

The most vocal is the IMF, which has praised South Africa for implementing "sustainable" economic policies that should translate into a 6% economic growth. Consistently the IMF has added the rider that our labour market needs to be more flexible and almost blame it for the less than expected economic growth. Therefore the fact that we are not getting to a 6% economic growth, according to the IMF, not based on any research, is because our labour market is not as flexible as it should be.

We can only assume that the debate is about impressing the IMF. That would be the reason for this issue to be driven from the Treasury, rather than the Department of Labour in government. The Department of Labour doesn't have this problem – it doesn't understand this debate. It is the treasury, which is a very awkward department of government to talk about labour market flexibility and I think the reason is that it wants to locate it where other elements of neo-liberal policies are located. Labour market flexibility will therefore add to other elements of the neo-liberal polices such as:

- Trade liberalisation
- Liberalisation of financial markets.

- Reducing government involvement in productive economy, hence the drive for privatization of state owned enterprises.
- Commodification of basic needs like electricity, water, education and health.

Therefore it is just one element of a broader debate about consolidating a neo-liberal economic policy framework. In brief our view is that this debate is about intensifying the implementation of the neo-liberal economic policy. That is the essence of this debate.

This takes me to the question of what our understanding is of labour flexibility. Basically employers want to have the right to utilize labour optimally at the lowest cost. That is the objective of every employer. The emphasis is on the right to hire and fire with ease. We can understand labour flexibility when we look into the mechanisms used to achieve it:

1. Employers see workers as cost-items. They would like to have the right to adjust this cost to the fluctuations of the various economic factors that impact on the performance of the individual companies. Many companies would like to have a small core of workers and the rest of the workforce be on flexible terms. This can be achieved through:

   i. Casualisation and part-time work and I think people who are familiar with this sector will know what I'm talking about. I'm working with the construction sector and I know if I see the head gear saying Murray and Roberts, that only 10% of those workers are employed by Murray and Roberts, the rest are contractors, sub-contractors and sub-sub-contractors. That is the essence of labour market flexibility.
   ii. Use of Labour brokers to supply labour according to production needs. That means the employer has no responsibility for the labour, he has no relationship with the workforce. It is the employees of a labour broker who brings them and takes them out according to need.
   iii. Fixed term contracts and seasonal contracts where you say, because the price of gold is now at $466 dollars an ounce, therefore we can make quick money and open a marginal shaft that is closed, we have short-term contracts and take a gamble that in six months time the price of gold may have doubled. Therefore we take short-term contracts and at the end of those six months, we can renew it. Or a month-by-month type of contract. Or seasonal contracts as you would see in agriculture particularly in the wine industry.

   That numerical flexibility is one mechanism

2. The second one is where employers would like to have freedom to make flexible shift arrangements. This includes:

   i. Quick changeovers, where a worker is expected to change a shift within twelve (12) hours of the previous shift. An employer wants the right to say you must go away, sleep, and after eight hours you must come back. That is called a flexible shift arrangement, that is quick changeover.

ii. Three shift cycles, where capital assets are utilized optimally 24 hours a day.

iii. Full-calendar operation, where production is allowed for seven days a week, without Sundays compensated as Sunday overtime.

3. The third one is moving towards flexible production processes. This takes different forms:-

i. Constitution of production team so that production in one unit does not disrupt the whole production chain if it is disrupted. So you organize people in self-contained teams rather than have a production chain that links to each other.

ii. Multi-skilling and multi-tasking entails every team member doing everything and anything. Operators are trained to effect repairs in case of breakdown.

iii. Production is externalized. Instead of one factory producing the whole unit, some parts get produced somewhere else. Instead of a single factory we will deal with a network of micro-factories. I think people who are in production units will understand when we talk of concepts like just in time and all those issues. The extreme example of this will be where production can be in different countries. Outsourcing of various services and ultimately the core production is another example.

iv. Mechanisation of production, shift from labour intensive to capital-intensive modes of production.

4. The last mechanism is the labour flexibility based on the control of the wage bill. This allows the company to employ fewer workers and allow them to work overtime within the restriction of the wage bill. This allows adjustment to demands without an obligation to employ more. Outsourcing is also used to keep the wage bill low. This ensures that the company has no obligation to provide some of the basic covers, like pension, medical aid, health facilities.

The BMW, Roslyn case study is an extreme example where workers are expected to work overtime but then to bank their overtime for times when production demand is low.

If one looks into all the mechanisms used to implement labour market flexible one is obliged to agree with Bridget Kenny that:

> "Current relations of production are characterized by the need for cheap labour, efficient organization and profits before people". Webster, E. and Von Holdt, K, 2005:217.

As we sit here today all these practices are widely used in the South African economy. The law of the land allows them without any restriction. You can go to any company and you will find all these practices exercised there. Even the Labour Relations Act (LRA), which has been praised as being progressive, does not provide any protection in the case of termination. Section 189 of the LRA is emphasizing the process rather than protection. No company can be stopped from retrenching workers for operational requirements if he/she follows the prescribed steps. Even in the case of liquidation, which is very prevalent now, workers are left stranded there and they are not treated as preferential creditors. A very profitable company can retrench without restriction. Basically workers in South Africa are not just flexible, they are very much open and vulnerable. Protection is therefore minimal, making it easy to fire. What is clear in South Africa is that we have market hegemony wherein the democratic state is marketising employment relations. That is what we are confronting here. It is the state that marketises employment relations.

The question that must be answered is; what is this flexibility that is still needed? Flexibility as we see in the economy has destroyed jobs instead of creating them. It has replaced quality jobs with inferior quality jobs. It has resulted in deskilling of workers. Trade unions do engage employers in all the aspects of labour market flexibility. Does the government want to take away this right to engage employers from the trade unions and entrench labour flexibility in the legislation? In other words do we think it is desirable for our economy to legislate the right of employers to exploit? Do we see poverty wages and removal of standards as the correct accumulation path for our own society? The view of the labour movement was confirmed by the National General Council of the ANC, and therefore I don't think that there is disagreement between the ANC and COSATU on the market because in terms of the National General Council, there is agreement that labour market flexibility is undesirable because it is already there. Instead we should take a certain aspect of the legislation so that if you want to terminate employment on operational reasons, you must be able to prove the need. The law doesn't require that, it wants you to have ten meetings so you can prove you met the union ten times and that's it. I took time to read a section in a case study done by Bridget Kenny:

> " The state introduced a series of labour regulations meant to protect workers' rights. However; these measurers have not only failed to curb casualisation, they have reinforced the prerogative of capital to marketise relations. This new workplace order might be called market hegemony, whereby the dictates of competitiveness, growth and cost cutting have structured workplace relations" Webster, E and Von Holdt, K., 2005: 226

That is basically the issue we are dealing with when we talk of labour market flexibility.

Will the social pact help? My view is that a social pact works only in cases where the parties are equal; where all the parties can see the benefit. If you want to draw parties into a social pact, it must be able to say "what is in it for us?" – and be able to say out of this packet of interventions, as labour, these are the benefits, as business these are the benefits. If you just want a pact that actually seeks to give the market hegemony over society, that social pact will not work. For example, if government rides rough shod on the other parties the social pact does not work. Where the government and capital form a formal or informal partnership to impose their will on labour, a social pact will not work. Parties must be serious about engagement, and commitment of senior leadership is critical. The lack of seriousness poses a threat to NEDLAC as an institution. I don't think the question is whether NEDLAC can work or not, but if parties don't take it seriously, ministers don't give time to NEDLAC, businesses send very junior officials to NEDLAC, unions don't send their senior and national leadership, obviously NEDLAC will not work. If we can't ensure that the basic social dialogue structure works, talking of a social pact is, in my view, ambitious.

South Africa has experimented with a number of accords, which all either collapsed or became minimalist on the basis of parties treating each other with contempt or arrogance becoming too strong for reason. I would like to refer to three such accords:

- The R.D.P, an accord between the mass democratic movement and the society. Does it work? I don't think it works.
- GEAR, an accord between capital and the state. It didn't work because it was a package between capital and the state, to the exclusion of a very serious social partner
- Growth and Development Summit was a tripartite accord and I think it is up to everybody to check whether is worked or now.

Globally many institutionalized accords are under siege. Co-determination in Germany is going through stressful period. The election results reflect the pain. The IRISH social partnership has delivered the desired results. The relative success of that accord can be ascribed to few factors:

- Commitment by all parties
- Benefits that have accrued to all parties
- Strong leadership
- Directed investment to clearly identified sectors.

I think therefore there is a case to link this question of labour market flexibility to a more important question of an industrial policy framework. My submission therefore is that social pacts require commitment. No party should come from within the partnership but elevate itself above others.

Now I want to conclude by saying that my own reading of the debate and the aggressive introduction of this debate is some ideological attempt to justify an unscientific definition of the South African economy as two economies. Very unscientific - it is one economy with two extremes, to make it two economies does force people who are behind policy formation to come with some abstract issues like labour market flexibility justified so that they can take us back to this particular labour market debate.