

# Labour market flexibility

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## Part Two (continued from previous edition)

Labour flexibility holds advantages for governments, employers and unions. Flexibility can be promoted by using legislation and using a consensual approach to seek solutions. Since 1994 the South African government has attempted to remove all vestiges of the apartheid labour system and create a system of regulated flexibility. Under this new system, tripartism should be accompanied by new laws designed to protect minimum standards and to promote collective bargaining at national, sectoral and enterprise levels. Here, labour relations and labour market transactions should take place with acceptable costs to those concerned and with acceptable allowances for economic equity and distributive justice. This should take place in the 'open' labour market and in the workplace. (van Rensburg, 1998:130)

## Is South Africa flexible?

A study shows that South Africa occupies 41<sup>st</sup> position out of 46 countries regarding the flexibility of labour regulations, (ie, hiring and firing practices, minimum wages, etc). This is a poor ranking compared to countries such as Singapore, Denmark, Hong Kong and New Zealand. It shows that although South African organisations have been moving in the same direction as its counterparts in other parts of the world, labour regulations in South Africa are still relatively restrictive.

## Unemployment and flexibility

Although job creation is one of the goals in GEAR, the economy has been shedding

jobs at an alarming rate. According to Stats SA (1998), the official unemployment rate was 20,0% in 1994, falling to 16,9% in 1995 and then rising to 21,0% in 1996 and 22,9% in 1997.

Most of the debate about solutions to unemployment centres around the issue of labour market flexibility (Schlemmer & Levitz, 1998:54).

Competitive pressures and the change in the division of labour demand that organisations have flexible organisational structures. This implies greater responsibility for workers, especially those at the lower end. Employees are expected to have a higher level of skills and to be multi-skilled. South Africa's 46<sup>th</sup> ranking in the World Competitiveness Yearbook on the availability of skilled labour shows that there is a crucial need for human resources management (HRM). It should focus on literacy, numeracy, enterprise-level training, lifelong learning, and technical and managerial skills development (Horowitz).

The dominant view throughout the world is that a liberalisation of the labour market and a reduction of wage and non-wage costs relative to output are necessary for employment creation.

## Productivity and flexibility

Improved productivity (and investment) is the principle factor underlying wealth creation for the nation, increasing income and achieving a better quality of working life. More productive economies are also more competitive economies.

Flexibility and creativity in coping with change are essential management qualities.

Quality of service and productivity are becoming dominant factors in terms of



profitability and growth, which are essential for employment creation.

The World Competitiveness Yearbook records productivity measured by the GDP per worker. It places Luxembourg with its GDP of US\$ 84 934 per worker, first. South Africa ranks 34<sup>th</sup> (US\$11 807). Countries that performed well have larger and more sophisticated capital input resources and high quality labour.

South Africa has to accumulate more capital and better technology. It also has to develop its human skills to operate sophisticated equipment productively

## Conclusion

In order to deal with a complex and rapidly changing environment, South African employers have implemented:

- ☐ quality programmes;
- ☐ flexible work practices;
- ☐ continuous short-cycle innovation;
- ☐ organisational restructuring,
- ☐ downsizing and lean production methods;
- ☐ direct participation. (Horwitz & Erskine).

Although the reasons for flexible practices in South African organisations are similar to those elsewhere, past racial discrimination in education and training resulted in structural inequalities in the labour market. The problems related to:

- ☐ low economic growth;
  - ☐ a high poverty rate;
  - ☐ income inequality;
  - ☐ chronically high unemployment; and
- can only be solved if concerted efforts are made to adapt production and employment.

This requires some flexibility in the labour market to reduce the cost of the restructuring (Standing et al, 1996:1). The ILO states that inequality in the developing countries can be reduced through:

- ☐ redistributive public investment;
- ☐ employment generation;
- ☐ land reform;
- ☐ taxation;

- ☐ a redistributive income policy;
  - ☐ a policy of capital-ownership sharing
- Labour market policies such as education, training and constructive labour regulations also play an important role.

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