

Labour market flexibility

By Theo Malan

Employment flexibility is becoming a major issue in most developed countries. It has implications for labour market regulations policy, labour statistics, collective bargaining and social protection policies.

Data from the South African Labour Flexibility Surveys (SALF1) and (SALF2) conducted in 1995 and 1996 respectively, suggests that South African organisations are turning towards more flexible labour practices. This is being done through casual labour, contract labour, subcontracting to smaller organisations, home workers and agency workers (Standing, 1997:7).

Other forms of employment flexibility include flexible working hours, overtime, appropriate work practices with productivity or performance-linked wages, lower wages for young trainees, incentives for more shifts and job sharing.

The rationale for labour market flexibility is that organisations need to compete internationally. They need to respond rapidly to changes in their business environments and in product and service markets. Examples of these changes include:

- technological changes;
- economic and organisational development needs,
- changes in product market cycles which require change in work practices,
- new technology requiring retraining and multi-skilling (Sullivan, 1992:91)

Labour flexibility influences how easily these changes can take place (Solow,

1998). It is important to remember that flexibility means different things to different people or groups. For employers flexibility usually means a capacity to change things quickly and at a relatively low cost. For workers and their representatives, flexibility means insecurity.

Workers want certain forms of flexibility, such as the capacity to adjust their working time and pursue 'upward' mobility. However, trade unions see flexibility as a device for increasing managerial control and workers' insecurity.

The labour markets of the future will therefore have to combine flexibility and security. There are various forms of flexibility and labour security. Harrison identifies four distinct forms of flexibility (Harrison & Kelley, 1992):

- *Functional flexibility*. This refers to the adaptability and mobility of employees to undertake a range of tasks. It includes multi-skilling and job rotation.
- *Numerical flexibility*. This refers to the ability of management to adjust labour inputs to accommodate product demand. Strategies include short/fixed-term contracts and subcontracting.
- *Wage flexibility*. This involves linking wages to individual and organisational performance.
- *Temporal flexibility*. This involves various patterns of work hours, shift systems, part-time work, home working and temporary work.

The ILO identifies the following forms of labour security:

- *Labour market security.* This refers to opportunities to work. High labour market security means that there is a low or falling level of unemployment.
- *Employment security* Here workers are protected by collective agreement, regulations or convention against arbitrary loss of employment.
- *Job security.* Here workers are protected against arbitrary transfers between sets of work tasks and losing job-based rights.
- *Work security* This is essentially about working conditions and health and safety protection in employment.
- *Skill reproduction security* Here workers have access to acquiring skills or being retrained to ensure that their skills do not become obsolete or inadequate
- *Income security.* This protects against poverty and arbitrary reduction in income.
- *Representation security.* This ensures that participants in the labour market have a secure capacity to bargain and influence the character of employment. They must have a strong 'voice' to ensure that distributive justice is pursued consistently. Without this representation security, all other forms of security will be jeopardised.
- *Education and training* to improve the skills and demand of labour.

Bargaining councils

Bargaining councils have certain advantages (Baskin, 1994):

- Minimum conditions of employment are set without government interference.
- Competition on the basis of labour costs is eliminated
- They play a very important role in providing benefits.
- They assist with dispute resolution.
- They promote labour peace.

However, these bargaining councils also have some disadvantages (Van Rensburg, 1998):

The extension of bargaining council agreements to non-parties might well result

in higher wages. Because wages are standardised throughout a particular industry, employers are more likely to agree to higher wages in the interests of labour peace than they would have been in the absence of a bargaining council.

There is not a strong link between wages and productivity.

Bargaining councils introduce a component of inflexibility, as they do not take into account that circumstances may vary radically from one enterprise to the next and from one region to the next. (Steyn, 1993)

Assessing labour regulations

Labour regulations should be assessed in terms of whether they achieve three sets of objectives, and the extent to which the pursuit of one of those objectives is compatible with attaining the others:

- Do they provide the workers with security in an equitable manner?
- Do they promote or hinder employment growth and dynamic efficiency?
- Do they have a redistributive effect that is beneficial to the most vulnerable segments of society?

If the system relies on detailed codes of conduct and on rules for processes and practices, one might ask whether or not the system is promoting a rigid labour market. Many policy-makers and observers have come to believe that profitable and acceptable flexibility involves more than deregulation.

Such flexibility comes about as the result of a complex set of measures that cover many aspects of work and enterprises. There is a strong emphasis on the skills requirements and education of the workforce and on high-quality work.

There is also strong emphasis on increased employee involvement in the enterprise and, at the collective level, the enhancement of long-term co-operative relations between employers and employee representatives.

This article will be continued in the next issue of the Bulletin.