

Phanzi retrenchments, phanzi!

Management calls it downsizing or rationalising. Consultants call it restructuring or re-aligning staff with fiscal goals. Workers call it retrenchment or...death.

Being retrenched is one of the worst things that can happen to anyone. Thus the government, labour and business have come up with the Social Plan to prevent job losses where possible and to guide the parties who have to deal with retrenchment.

Origin

The idea of a social plan was raised in Nedlac. Labour strongly pushed the issue and the social partners then started developing a framework for a Social Plan. The Jobs Summit in 1998 was the culmination of these efforts.

Aims

Ndumiso Matlala, Project Manager at the National Productivity Institute (NPI), describes the Social Plan as 'a guide that prescribes how retrenchments should be handled on a national basis'. It applies in the event of large-scale retrenchments that could impact on sector, regional or national interests.

Yet Matlala emphasises that the plan is not just about managing retrenchments. Most importantly it tries to avoid retrenchments. A social plan approach is vital when there is a chance of saving jobs. It promotes discussions about the issues

Etienne Vlok outlines the provisions of the social plan.

threatening the jobs and the measures to prevent retrenchments.

The Social Plan process is voluntary. Matlala likes it this way because 'it is a success if there is co-operation and people want to work together. When they are on board they show dedication because it is voluntary. If you legislate it then people have to be involved.' Some unions disagree with Matlala and argue that a law needs to oblige companies to enter into the Social Plan process.

The plan consists of three phases each led by a different government department. The first phase, 'Saving jobs', is under the auspices of the NPI. The second, 'Managing retrenchments', ensures that when retrenchments take place, their impact is reduced. The Department of Labour drives this phase. The third, 'Creating jobs for local economies', assists retrenched individuals and communities affected by retrenchment, to find or create new jobs. It is led by the Department of Provincial and Local Government.

Funding

'The government treasury section called Presidential Priorities pays for the Social

Plan. This section also funds the fight against HIV/AIDS and drought relief. The funding pays for the services of the NPI and the consultants we use due to our limited capacity,' explains Matlala

If an industry is declared 'in decline', such as transport or clothing, textile and leather then the companies get a free service. Companies outside these industries get free assessment but they have to pay 35% of the cost of the strategic solutions phase. This is to show their commitment to the process.

For those industries 'in decline' the NPI sets up a task team to do an in-depth analysis of it. Matlala describes this process: 'We look at places for growth and what can be done to unlock the constraints. In the clothing industry we looked at illegal imports and dumping - where countries use cheap labour to export to our country. We also look at productivity as a whole, not just labour productivity but also its interaction with machinery.'

'We look at places for growth and what can be done to unlock the constraints.'

When the NPI intervenes in a company the benefits of the intervention should outweigh the cost. Matlala again, 'We use an international benchmark on how much it costs to create a job. We then compare how much the intervention will cost with how many jobs will be saved. If the intervention costs more than the benefits, the exercise will be useless.'

Phase one

The NPI is concerned with the first phase, 'Saving jobs'. Employers, unions or workers who want to prevent large-scale retrenchments may contact the NPI.

Matlala describes the process: 'The NPI does a preliminary assessment, which focuses on the financial figures for three years to see how the company declined. If the company is a deserving case, the NPI does a strategic assessment, followed by a full-scale intervention to turn around the business.'

Future forums

The NPI helps the employer and labour to form a *future forum* to develop and implement strategies to reduce job losses. The future forum is not concerned with any other workplace issues and is totally separate from bargaining forums. It operates on a consensus basis so strategies arising from it are based on agreement between the employer and labour.

Matlala depicts future forums as almost similar to workplace forums. 'The difference is that it focuses on productivity and saving jobs. We want this forum to continue after our intervention' to see where the company can go.'

'Similar to workplace forums?' I hear the unionists protest. So then there must be some opposition to it? 'No,' assures Matlala, 'we are not experiencing any problems from the unions with future forums. Contrary to workplace forums, future forums are focused on a clear objective and someone is driving it: the NPI. Nobody drives workplace forums.'

The Social Plan's Technical Support Facility provides the following services to future forums:

- it employs consultants in consultation with the forum;
- it facilitates discussions between labour and employers;
- it helps develop turnaround strategies to reduce job losses;
- it develops early warning systems for sectors and companies in decline to identify those that are likely to fail.

Early warning

'The Social Plan can only help companies if it is not too late,' emphasises Matlala 'Usually management approaches us when the company starts experiencing problems. But unions only approach us when the workers are given a notice of retrenchment. That is too late.'

'Workers and shop stewards must warn us if there are problems at a company. They must be our eyes and ears. Shop stewards can detect when a company has problems at defaults on its bargaining council contribution and workers start working short time. This indicates problems on the demand side,' says Matlala.

The NPI is developing an early warning system to see whether industries are declining or growing. 'We use information from Statistics South Africa and participating companies. Our experts analyse the figures and trace trends over time,' adds Matlala. Such a system will allow the NPI to be proactive and identify problem industries early.

This system will also identify growing industries where a demand for jobs exists. This is important, as it will help with phase two of the Social Plan when reskilling takes place. Retrenched workers can then be trained with skills required in the growing industries.

Strategies to save jobs

The NPI has many management tools that it uses to save jobs. Matlala elaborates: 'One method is to empower the employees by giving them a stake in the company. This is a way of transforming companies. This has



Adrienne Bird from the Department of Labour played a constructive role in the Nedlac discussions

worked before but is not the be-all and end-all. Other solutions relate to work organisation, optimal usage of resources and systems to maximise throughput. We treat each case on its own merits and are not married to a single method.'

The NPI is adamant that productivity should not improve because fewer workers are doing more work. It wants to improve the productivity without taking into account retrenchments.

It seems the NPI realises that the cost of labour is not the only reason why companies go under. In *Business Report* the NPI said that it wants to identify the reasons why companies go under and find

solutions to it. It wants to get companies 'back onto the road to profitability without resorting to retrenchments'.

So far the Social Plan has been successful at three companies with 500 to 600 jobs saved.

So far the Social Plan has been successful at three companies with 500 to 600 jobs saved. These companies were Renfreight in Kempton Park, the Laser Group that includes Fraser's International, and Watson Shoes in the Eastern Cape. 'We have gone to other companies where our intervention was too late and we were unable to prevent job losses,' admits Matlala.

Social Plan centres

Part of the Social Plan is the establishment of Social Plan centres to serve phases one and two of the project. There employees or employers would have access to information on the plan and technical expertise through the NPI's website. This would allow them to decide whether they can get help on their own or whether they need to contact the NPI. The centre can also provide psychological and financial counselling to retrenchees.

The first centre was opened at the end of last year at Transnet in Johannesburg.

Examples

The NPI has just concluded a process of saving jobs at Watson Shoes in the Eastern Cape. 'We saved 150 jobs. This was done through an outsourcing exercise that we refer to as a different form of worker empowerment as opposed to empowering a few individuals,' explains Matlala.

One of the Social Plan's earlier success stories was at Renfreight. Renfreight

entered into a joint venture with SARHWU's and SATAWU's investment companies to form an owner-managed contract.

According to *Business Day*, SARHWU Investment managing director Israel Skhosana said, 'the collaborative process at Renfreight, involving management and SATAWU, clearly demonstrates what can be achieved and the extent to which the Social Plan introduced alternative job opportunities. Today former employees of Renfreight have a 23% equity in a newly formed company'.

Phase two

Phase two, entitled 'Managing retrenchments', aims to help retrenchees. The Department of Labour drives this phase and:

- provides information about government assistance programmes and facilitates access to these;
- counsels retrenchees to help them deal with retrenchment;
- does a skills assessment of retrenchees;
- identifies industries where a demand for jobs exists;
- assists in reskilling retrenchees for entry into those industries.

Retrenchment Response Team

If the retrenchment of a large number of workers is unavoidable, a company can request help from the Department of Labour.

The department will then avail its Retrenchment Response Team to assist the company. However, before a company can retrench anyone it needs to provide the Department of Labour with:

- reasons for the retrenchment;
- alternatives that were considered;
- the number of workers who are likely to be retrenched;
- methods of selecting retrenchees;

- financial assistance (except the severance package) offered,
- prospects for retraining and re-employment;
- places of origin of workers who are to be retrenched,
- skills profiles of workers who are to be retrenched;
- resources that management and the union can provide to deliver the Social Plan services

The team will then determine what services to provide the company and the retrenched. It will ensure the retrenched know what the department offers, such as counselling, help with reskilling and placement services

'The reskilling of retrenched needs to be done with regard to whether it will be helpful or not,' stresses Matlala 'You cannot just train people in general. Skills do not create jobs alone. It is only when they are linked to economic trends and demands locally and globally.'

Job Advice Centre

The Social Plan also makes provision for a Job Advice Centre, which should be opened on or close to the company's premises. The employer and the worker representatives should find a suitable venue for the centre. It should offer services well before retrenched leave the company

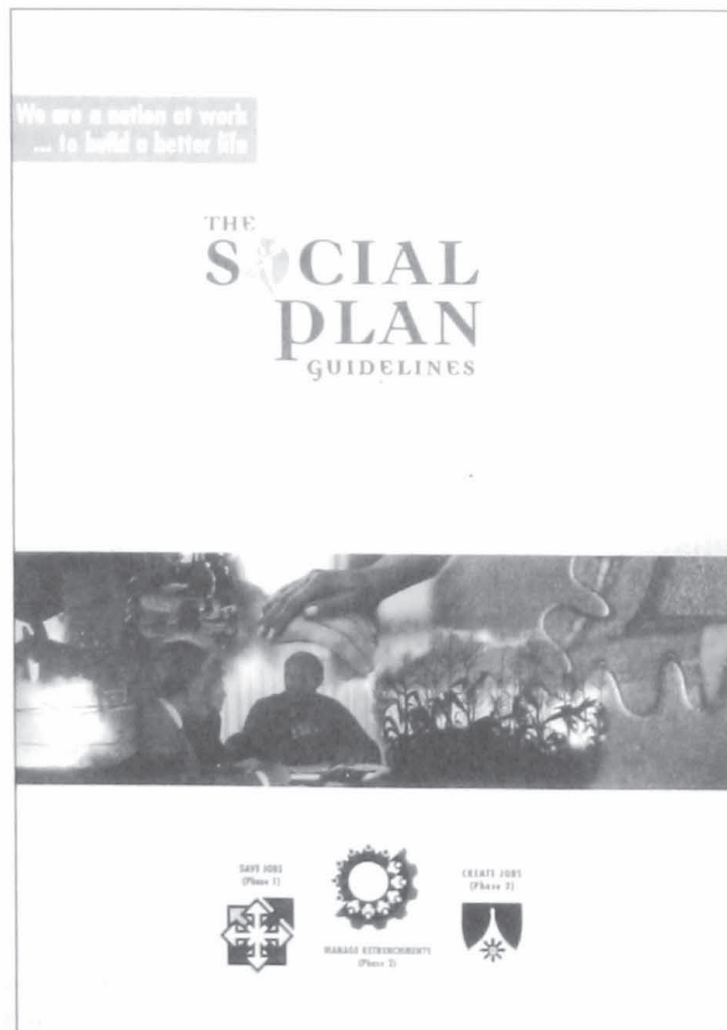
The Job Advice Centre can provide retrenched with information on how to cope with retrenchment or claim from the Unemployment Insurance

Fund (UIF). Pamphlets are available from the Department of Labour

JET project

Joint Education Trust (JET) evaluated one of the Department of Labour's Social Plan pilot projects in 1999 and the beginning of 2000 at Mooi River Textiles. The purpose of the evaluation was to assess the workshop conducted by the department to assist retrenched workers. What information and support did the workshop offer the workers? What was the impact of the workshop on the ability of the workers to move on in their lives?

According to Avril Joffe and JET's Phundi Sigodi, the retrenched regarded the section on financial management as the



most important aspect of the workshop. 'Some indicated that for the first time, they had opened a savings account. Others indicated that the course helped them evaluate whether their intended purchases were realistic or appropriate,' report Joffe and Sigodi. Many retrenchees felt that this information would have been very helpful before the retrenchment took effect.

The evaluation also found that the retrenchees valued the section on how to apply for a job, which dealt with motivating oneself, drawing up a CV and demonstrating experience. Another important section was the one on starting your own business.

On the negative side, 'the retrenchees were critical of the department's failure to provide precise and relevant information about UIF, retrenchment regulations and Provided Fund'.

Finally, Joffe and Sigodi challenge the Department of Labour to transform its regional offices into being an efficient support institution for all workers in the area. 'The department must build capacity particularly in small offices. It should transform from being mere UIF registration and pay points to doing counselling; providing support with employment applications and business plans for new businesses'.

Phase three

The final phase of the Social Plan is called 'Creating jobs for local economies'. In this phase the Department of Local and Provincial Government stimulates job creation for local and provincial authorities.

Regeneration of local economies

When large-scale retrenchments are unavoidable in an area, social planning should start. The local authority should look for opportunities in the local or

provincial economy and implement plans to rehabilitate areas where large-scale retrenchments have taken place.

The local authority affected by large-scale retrenchments can apply for Social Plan Fund assistance. This will be in the form of a R50 000 grant to undertake local economic regeneration studies. The outcome of this study is a business plan on the regeneration of the local economy. A committee of the department will then identify possible sources of funding for projects in the business plan.

Viva, Social Plan?

It is easy to get excited about the Social Plan. One institution fighting the possibility of retrenchments, saving people's jobs! Another, helping and advising retrenchees. And then a third, ensuring local economies create new jobs for retrenchees!

But then one reads about how government is going to speed up the privatisation of the big parastatals, which employ about 80% of workers in state-owned enterprises. Hopefully the Social Plan can come up with alternatives and save some jobs then. And hopefully it can create enough jobs for those who will lose theirs after privatisation.

The alternatives that the NPI has proposed so far when saving jobs are not always of the sweet, melt-in-the-mouth variety that the unions would prefer. At Renfreight it put in place an owner-driver scheme and at Watson Shoes it used subcontracting to save jobs. These alternatives are bitter pills, which can only be swallowed with your eyes closed, your teeth grinding and your back against the wall. But that happens when the only other option is retrenchment. ★

Sources: *Sowetan*, *Business Day*, *Independent Newspapers*.