

# **Current State of the Labour Market**

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**On the occasion of the 15<sup>th</sup> Anniversary of the CCMA**

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Executive Director, Chairperson and members of the Governing Body of the CCMA, Commissioners and staff, fellow social partners, distinguished guests, ladies and gentlemen. It is a singular honour to have been invited to be part of this important celebration of this significant milestone in the life of this important organisation in the post apartheid labour relations environment. I am filled with tremendous pride to have been associated with its establishment in light of the tremendously positive work you have done. This is undoubtedly one of the success stories of our new dispensation for which we should all be proud.

South Africa's Labour Market is inefficient and a negative factor to a redistributive, inclusive and equitable economic transformation trajectory of a post-apartheid dispensation. Using the official definition, at 24.2% in 2009, unemployment was higher than that of

1995 at 17.4 %. Similarly, low skills and education undermine competitiveness of our economy and contribute to high levels of unemployment. Consequently the income gap has widened to intolerable levels.

Not surprisingly, with these levels of disparities, labour relations have so deteriorated, they are reminiscent of class war.

Simultaneously pressure is growing from the unemployed for economic justice. Evidence suggests that the pace of Employment Equity has been excruciatingly slow and work place discrimination more rampant than publicly reported. Social partners are failing to provide leadership as institutions of social dialogue and collective bargaining have been relegated as unimportant.

The greatest asset to any society is its human capital. Innovation, accessing and mediating technologies for sustainable growth, depends on efficient and effective employment of human capital. Successful economies in the world are those that grasped this basic fact. Those that failed to appreciate it have lagged behind and secured a place in the periphery of socio-economic development.

Our levels of unemployment are in fact higher than the official definition suggests. Using a broader definition 37% of the working

population were unemployed in 2007. In the age group 15 to 35 years employment declined from 46.3 per cent to 44 per cent in the same period. Notwithstanding public commitment to create more jobs, trends are moving the opposite direction with more than a million jobs shed in 2009/10. According to the Adcorp Employment Index, employment fell 2.1% year on year for four months in a row in August 2011 with manufacturing, construction and mining sectors leading the charge. Clearly, the labour absorption capacity of the economy is not only low, but continues to deteriorate with no shared vision among social partners on how to curtail and reverse it.

To compound the problem has been the challenge of low levels of skills in the economy. The greatest failing in this regard has been our education system which has deteriorated over the years. This is particularly so in the African communities. According to the National Planning Commission's diagnostic report only one per cent of schools in that community can be said to be best performing, 11% are better performing while 88% are poor performing. On the other hand 49% other schools (White, Indian and Coloured) are best performing, 21% better performing and 31% poor performing. Clearly, African communities are where the majority are located and the dysfunctionality of the education system there, is bound to result in serious distortions in the labour market.

Vocational skills training at schools has deteriorated similarly. In 2011 only 115 000 enrolled in general vocational education and training programmes. Only 15 % of the learners completed their matric in 2010. Further Education and Training Colleges are supposed to absorb those who drop out of school without completing in order to afford them basic skills for the labour market. These institutions have experienced serious problems of limited growth in enrolment and poor throughput.

This is happening in the context of trends that show a strong bias in favour of employing those who complete their formal schooling. In the period since 1995, those with either incomplete or no schooling had very low probability of employment. In fact, post school qualification increased prospects of jobs. Clearly the failure of our education system results in the marginalisation of our people in the labour market.

In other societies, these shortcomings in the supply side of the labour market are ameliorated by an effective employment of Active Labour Market Instruments that include the skills training, vocational guidance, job matching and placement as well as a carefully considered partnership with the Social Security instruments such as

Unemployment Insurance Fund (UIF) and the Compensation Fund (CC). In addition to these; are short term employment programmes such as Extended Public Works Programmes (EPWP), small (SME) business support initiatives and the training of the unemployed. These are sometimes referred to as Public Employment Services (PES).

In our situation, these are disparate, disarticulated and uncoordinated resulting in greater inefficiencies and avoidable waste of money and consequently ineffective. The greatest set back was the exorcising of the National skills development programme from the Department of Labour. This compounds the problem, given that other short term employment instruments sit with other government departments such as Public Works and Trade and Industry.

However, for the DOL to fulfil its responsibility in this regard it needs to invest in requisite infrastructure. A comparative analysis of the positioning of our Public Employment Services (PES) shows ratios of one PES staff for every 42 unemployed people in Germany, to 80 for Britain, 150 in Hungary and 483 in South Africa. We spend 76 times less on PES than Brazil. These low levels of capacity do not

correspond with government's public commitments to deal with unemployment.

South Africa's integration in the global economy has compounded our labour market challenges. The principal determinant of success in the global market is competitiveness. This requires innovative, skilled, productive and competent labour. Our ability to retain, the geographically mobile high-end skills and attract more from the global village was to result in even greater distortions in the labour market. Simultaneously, the influx of low-end skills particularly from the region, including illegal immigrants added to those challenges.

Consequently the high-end skills category commanded exorbitant salaries where those at the bottom lagged far behind, especially those in non-unionised sectors, resulting in increasingly adversarial labour relations. The downward push in wages and condition of employment for the unskilled workers has been exacerbated by the continued excess supply of unskilled labour from the underperforming education system and immigration.

With this, the phenomenon of poverty in employment has become real, driven largely by the un-unionised and informal sectors. This has been compounded by some employers exploiting the weakness in

the inspection services of the DOL by imposing conditions of Employment below those in collective bargaining agreements governing sectors and or stipulated by Employment Conditions Commission (ECC).

Similarly, Collective Bargaining has seen demands that suggest a lack of shift from the pre – 1994 trends. These include Medical Aid, Housing Allowance, Transport and increasingly education subsidy for children. These demands, in part, highlight the extent to which the apartheid socio-spatial patterns have remained unchanged. With the deterioration in public education system, especially in African communities, the demand for education subsidies is intended to ensure children of workers can be educated either in other communities or through private institutions.

Union membership pays dividend as evidence demonstrates that high wage premium is driven by unions. Consequently suggestions are often made that this results in serious job displacement. However, an examination of wage adjustment, employment elasticity shows no strong correlation between jobs and wages. Although, in real terms, union membership grew from 2.7 million to 3.4 million between 1995 and 2007, its density declined from 29 to

26 per cent. This growth has largely been driven by that in the public sector. Union density in the private sector dropped from 25 to 20 per cent in the period compared to its increase in the public sector from 43 to 52 per cent.

The quality of collective bargaining has shown a decline in capacity among parties. The gap between the union demands and what employers are prepared to settle for is often too wide with positions hardened. This is an indication that the parties fail to invest adequate time and resources in pre-bargaining planning where they could share information and close the gap regarding settlement range. The parties often have different benchmarks that become reference point in the negotiations. Employers may rely on CPI, and unions on the cause to narrow the wage gap in the face of what they see as overpaid executives and conspicuous consumption.

This results in prolonged strikes which sometimes turn violent with costs to the parties often far outweighing the benefits that come with a final settlement in the end. In some cases workers are taken out on strike when the margin between the parties is narrow. In these cases the parties often settle on weak grounds and the value of the struggle does not get fully appreciated.



This often results in breakdown in relationship of trust between the parties. The worst sign of this, is the often violent turn that these industrial disputes have assumed particularly since 2007.

Adverserialism of the pre LRA or possibly even the pre Whiehan commission era may be with us again. It is a situation from which we all stand to lose. This is particularly the case in the public sector where both employers and unions often lack requisite experience even though the Public Sector Bargaining Council has grown in stature.

These developments result from a number of challenges that have been surfacing over time which have not been dealt with properly. There is evidence that negotiators are sometimes inexperienced and inadequately trained in collective bargaining. Sometimes aspirational posturing which may be linked to succession politics either in unions, federations or in the broader political environment drives behaviour. This results in hardening of positions. Some employers negotiate by proxy using consultants who have no vested interest in securing sustainable solutions. In some instances leaders fail to be decisive even in the face of blatantly wrong conduct.

Allocative inefficiencies in the labour market continue to be compounded by workplace discrimination. This includes overlooking of suitable candidates in favour of others for reasons extraneous to competencies and qualifications required. Race, gender and disability stereo-types continue to be the dominant grounds for exclusions. This is despite the Employment Equity Act (EEA).

Since the EEA was passed in 1996 the demographic profile of top echelons of corporate South Africa has not changed sufficiently. In 2010, according to Employment Equity Commission, only 12.7% Africans 4.6% Coloureds, 6.8% Indians compared to 73.1% Whites were in Top Management roles in the private sector. Similarly the gender patterns show 81.1% male and 19% women. Whereas for people with disabilities, the picture was even worse at 1.4%. This pattern is not very different at senior management level.

It is surprising to see the comparatively small number of cases referred to CCMA regarding workplace discrimination compared to the weight of other cases handled. In part this must be attributed to an absence of an organisation that would be willing to take these up. Black professional association are presumed to be best suited to play such a role, in fact they don't. Black managers who experience

workplace discrimination often find themselves left to their own devices and resort to using legal advisors. Unlike the Afri-Forum which uses every opportunity to challenge the implementation of EEA through the courts; there is no counterpart prepared to take court action or approach the CCMA to advance its implementation.

Unlike the unions, whose responsibility to their members is very clear, members of most black professional associations find themselves conflicted as they hold managerial positions which include a role to promote the image and reputation of their companies. They are often exposed to some of these practices, including their company failure to commit to EEA, as many are found in human resource positions. However they find themselves having to defend their employers rather than champion the cause of a workplace free from discriminations.

These challenges in the labour market often stem from shortcomings emanating elsewhere in the macro environment of the economy and the polity. The engagement on these should be through various fora that bring together the social partners. The pre-eminent one of these is NEDLAC whose role has become increasingly marginal if not formalistic. The social partners often delegate representatives with

insufficient authority and stature to participate in NEDLAC.

Consequently, resolutions become difficult and deadlocks frustrate public policy making and undermine the credibility of the institution.

The effectiveness of these institutions of social dialogue is also influenced by the dynamics in each of the constituent parts.

Government, business and labour have all had challenges of their own which have often resulted in inward focus resulting in the relegation of quality leadership role in institutions such as NEDLAC. Sometimes dynamics in the ruling group strengthen or weaken the position of labour in influencing government. Depending on these dynamics, labour's use of institutions of social dialogue would be either enthusiastic or lackluster. Similarly, business' internal dynamics and connection to government would influence their behaviour in these structures. Access to leadership in government and getting a sense of being understood make business feel their effort is worthwhile. Divisions within business, ostensibly on racial lines have not helped. Established business has the requisite resources to develop policy and invest in favourable outcome. However, it often feels it lacks the legitimacy to robustly and openly engage in public debates for fear of alienating government. On the other hand, Black business lack such resources and capacity, but may have the ear of government. Consequently, the relationship

between business and government may be reminiscent of the period immediately after 1994. It is guarded rather than collaborative.

It is, clear from the above that we should retrace our steps and revisit the basics. We have to invest in qualitative rebuilding of both trade unions and employee associations, growth in numbers and density is not sufficient. We must rediscover the value of our institutions of social dialogue and collective bargaining as fora through which we find each other, define a common agenda for the development of our economy and society rather than opportunities to draw the battle lines. It is urgent that we fix our education system and agree a common programme to stem the tide of unemployment and narrow the gap between rich and poor.