

Making Labour Markets Work for the Poor

A Personal View, by Neva Makgetla

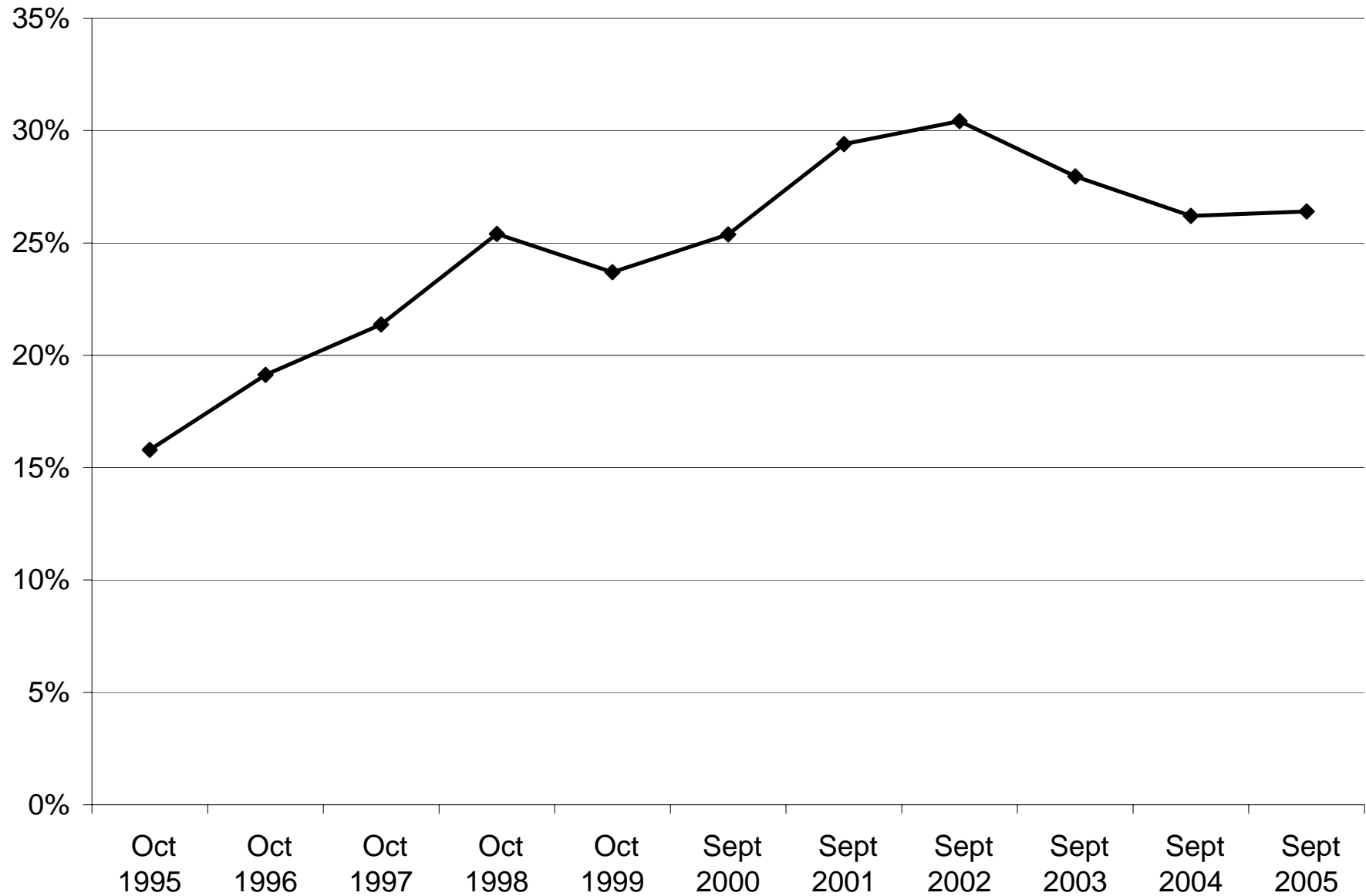
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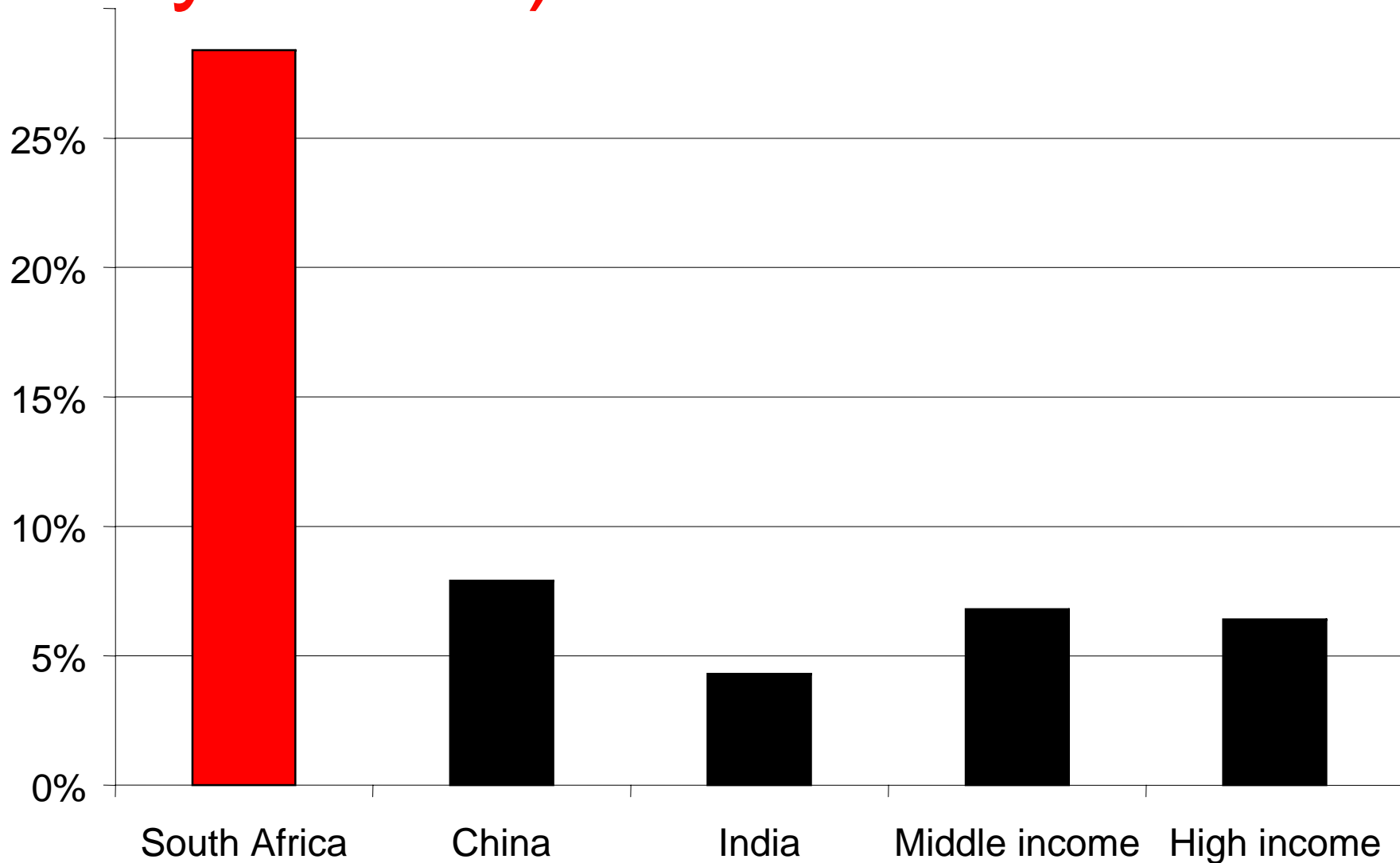
Overview

- ★ The employment problem in South Africa
- ★ Conceptualising labour market regulation
- ★ The discourse in South Africa

Unemployment rates



Compared to other countries (early 2000s)



The working poor

- ★ Incomes generally lower than policymakers realise – median in the formal sector is R2500
- ★ Variations by industry
 - ★ Under R1000 in formal domestic and agriculture
 - ★ Around R500 in the informal sector
- ★ Informal is under a quarter of total, and around half of informal workers are street traders

Why?

- ★ Falling labour absorption from the early 1980s, although some improvements in past five years
- ★ Major causes
 - ★ Continued domination of mining/minerals
 - ★ Historic exclusion and deprivation of the majority (land, finance, skills, market access)
 - ★ Massive income inequalities limit sustainable and diversified growth
- ★ By extension, main solutions must focus on
 - ★ Diversification into relatively labour intensive industries
 - ★ Ensuring a more inclusive economy

Where do labour laws fit in?

- ★ If we see the employment relationship as a market, common imperfections are:
 - ★ Poor information about employment opportunities, skill needs and value of workers
 - ★ Factor immobility (in SA, mostly about location and transport costs as well as skills)
 - ★ Externalities (especially cost to society of retrenchment and impact of very low pay plus oppressive conditions; poor private returns to investment in skills)
- ★ As with every market imperfection, debate then becomes whether and how state intervention can lead to better outcomes

BUT: workers are also citizens

- ★ Should they have a voice as workers?
 - ★ Unions are often the only part of civil society with their own economic base and power
 - ★ What are the limits to management prerogative in a democracy?
- ★ What are intolerable working practices?
 - ★ Slavery? Child labour? Discrimination based on race or gender?
 - ★ 100-hour week? 70-hour week? With paid overtime?

The cost of labour laws

- ★ Labour laws were central to apartheid
- ★ New labour laws therefore unavoidable
- ★ Any change imposes some costs and meets resistance from beneficiaries of the past system
- ★ Need to distinguish between
 - ★ Unavoidable costs of policy aims
 - ★ Potential for improving specific regulations designed to achieve them

Under apartheid

- ★ Discriminatory labour laws
 - ★ Protected conditions for white workers
 - ★ Black workers could be hired and fired at will, and very little protection for organisation
- ★ Result:
 - ★ Under-investment in training
 - ★ Virtually no career mobility for black workers
 - ★ Conflict in the workplace and very militant unions
 - ★ Labour laws for whites entrenched legalistic procedures

Changes since 1994

- ★ Uniform labour laws for all workers
- ★ Increased emphasis on conciliation and arbitration
- ★ Protection for union activities and increase in union density to around 30%
- ★ State sets some basic conditions (mostly dismissal procedures, working time and leave, plus wage determinations in agriculture, domestic service)
- ★ Sectoral skills authorities
- ★ Employment equity and anti-discrimination laws
- ★ Unions play a central role in monitoring

Labour laws and employment creation



Problems

- ★ Dismissals for productivity and discipline still very procedural
- ★ Virtual exclusion of farm and informal workers
- ★ Skills development systems don't work, largely because they ask too much of labour and employers
- ★ Discrimination and lack of career mobility remain major problems (one African worker in seven complains of racial abuse at work)

The discourse

- ★ Criticisms of the labour laws often ignore new role of workers as citizens
- ★ Reception: critics want to turn back the clock
- ★ End up with power plays rather than systematic monitoring, evaluation and reform on that basis

In sum:

- ★ Political deadlock if attempts at labour-law reform attack workers' position as citizens rather than specific regulatory problems
- ★ Ultimately, labour-law reform will not do much to help employment creation – that requires measures that address sectoral constraints