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THE SOUTH AFRICAN LABOUR POLICIES AND MARKET STRUCTURE

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P R E F A C E

High and/or rising unemployment rates are presently common to most countries of the world. Over the past decade policymakers have struggled to find the correct "mix" of policy to effectively address this serious problem. Since the 1950s up to about the mid-1970s, the unemployment problem was effectively dealt with as part of demand-management policies, coupled with relatively high economic growth rates. Thus, the creation of employment opportunities generally kept pace with the growth rate of new labour market entrants. The nature and extent of the unemployment problem was mostly cyclical, and comparatively limited attention was devoted to the role and functioning of labour markets in the economy, and specifically to their allocative, distributional and informational functions and capacities.

In the mid-1970s the unemployment problem in most countries began displaying, to a greater or lesser degree, a non-cyclical behavioural pattern, i.e. unemployment rates tended to steadily increase despite periods of relatively high economic growth rates. Demand-management policies generally lost their magical "cure" of previous decades. The nature of the unemployment problem increasingly displayed structural characteristics, imbalances and rigidities. Since the 1980s policymakers have started to realise that this structural economic problem has to be addressed and analysed in an environment where labour markets to a greater and lesser extent, are being prevented by certain institutional, economic, socio-economic and political factors from functioning effectively. The main factors that have negatively influence these markets are government interventionist actions, aggressive

trade union activities, minimum wage arrangements, exorbitant social benefit packages for workers, extreme poverty amongst a major portion of the population, inadequate skills and training of workers, inappropriate production technologies and low productivity growth. The above tendencies especially applied to most developing countries of the world including South Africa.

This monograph concerns itself mainly with an analysis of the structures and processes of the labour market and its functioning in South Africa. Its premise is that improvements in the functioning of labour markets could substantially contribute towards raising the labour intensity of production.

The monograph's main objective is to describe, explain and analyse the role of the labour market policies, processes and institutions in the economy, with specific reference to its influence on employment creation, economic stability and income distribution; and to identify the main economic, institutional and sociological forces influencing the capacity of these markets to adapt quickly and effectively to discount these forces. In this regard, a historically descriptive explanation of the different forces which impede the smooth operation of the labour markets in South Africa has been presented.

This monograph, prepared by the Bureau for Economic Policy and Analysis (BEPA) of the Department of Economics, University of Pretoria, is an important contribution of understanding the impact of labour in South Africa and within the countries of the region, and the effects of these policies on

labour supply from neighbouring. It was also an opportunity to learn from and share experiences of a country who recently regained its full membership with the Commission.

It is hoped that the various issues raised in this monograph will generate interest and dialogue with our readers. Their views and comments are welcomed and should be addressed to:

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I Introduction

1 General Developments

2 South African Labour Market Developments

Since the early twenties of this century the wage bargaining structures and processes in South Africa basically remained unchanged and followed an established pattern (Nel & Van Rooyen, 1991:53). The first attempts toward statutory wage determination in South Africa were in 1918 with the promulgation of the Law on the Regulation of Wages (Lucas, 1933:49). Since the establishment of the industrial council system (employer/employee body) in 1924 and the accompanying structures and processes in terms of wage arrangements, the collective bargaining system up to 1979 was characterized by its dualistic nature as Black workers were excluded from the formal statutory bargaining system (Bendix and Swart, 1982:1). During the same period the formal statutory wage determination processes centred round the industrial council and conciliation board systems and the Wage Board (*a government institution*), and there were no formal or statutory mechanisms that accommodated the needs of Black workers (Wiehahn Report, 1981:48). After the acceptance and implementation of the Wiehahn commission's recommendations by the government in the early 1980's and the important and drastic legal changes that followed, the dualistic collective bargaining process was transformed into an unitary system and process. This created the opportunity for Blacks to fully participate in the formal statutory bargaining structures and processes. Amongst other things, this meant that Blacks could organise themselves formally in labour unions, and act accordingly.

It is, however, significant that from the early 1920's to the present time, the process of wage determination consistently has been characterized by three basic levels. Firstly, the industrial council and conciliation board systems, encompass-

ing all the formal wage arrangements between private employers and employees for certain industries, occupations or areas. Furthermore, this system was supported by the government and any negotiated and agreed wage arrangements were transformed into legislation (*in other words, became delegated legislation*). Secondly, the Wage Board, a statutory institution, accommodated the wage arrangements of those employers and employees that did not form part of the formal collective bargaining machinery of the industrial council system. The Wage Board was instructed by the Minister of Manpower to execute investigations into the wage situations of nominated industries, occupations and areas and its wage recommendations were presented to the Minister for approval. If these were accepted by the government, they also became law. The third level of wage bargaining pertained to all other economic activities outside the two above-mentioned formal levels. In terms of this level, wage bargaining primarily centred round the negotiations between employers and employees (at mostly the enterprise level) without the direct intervention of the government (*as was the case in agriculture, household and most service sectors and the public sector until quite recently*). These wage arrangements were primarily included in standard employment contracts and disputes could be addressed and solved through common law principles, the Labour Relations Act, other labour legislation and mechanisms (e.g. conciliation boards and arbitration).

The above-mentioned levels of wage determination are still applicable in South Africa today; only the extent of the collective bargaining process has been expanded and more formal statutory structures are now involved. Thus, over a period of about 70 years, the structure and pattern of wage determination processes have basically remained unchanged. These systems (*with all their shortcomings*) have generally functioned well throughout the various economic development

stages of the country, amongst others, in securing industrial peace, broadening workers' democracy and enhancing the welfare of workers.

3 Developments in South Africa in the 1990's: The RDP and new LRA

The description and analysis of labour market structures and policies in South Africa must also be seen against the background of the dramatic political events that have taken place since the early 1990's. These events and related developments have had a direct bearing on the labour market situation and these events will be briefly described below.

A political miracle took place in South Africa in 1994. A new democratic government of national unity was elected and constituted amidst a vast amount of scepticism, both locally and internationally. The 45-year era of an institutionalised apartheid regime and policies finally came to an end. After the elections the focus sharply shifted to the tremendous structural economic problems facing South Africa. During the pre-election period political leaders and organisations naturally exploited these conditions, and long lists of promises were quite common. After the elections and festivities, the real economic facts and problems of South Africa became the focal point of debate. The reversal or toning-down of the pre-election promises and expectations presented major challenges to the new government.

The pre-election period was characterised by political turmoil, violence and uncertainty. Foreign investors' confidence was at very low levels and only short-term speculative interest was shown. Trade unions aligned themselves with political parties, and became very aggressive, demanding exorbitant nominal wage increases, which in most cases were accompanied by work stoppages and labour unrest. Real

wages rose during the recessionary period, despite the huge unemployment situation. This contributed to a sharp increase in unit labour costs.

There were no dramatic economic changes during the period immediately following the first democratic elections. After the euphoria and festivities subsided, the real economic problems became the focal point of wide-ranging discussions. There were, however, several incisive decisions and announcements made by the new government that will have a definite effect on the course of economic events in South Africa.

The upturn in economic activities that started at the end of 1993, lost some momentum from the second quarter of 1994. The major reasons were drought and frost conditions that negatively impacted on agricultural production, the continued political turmoil in some areas, production losses due to the elections and festivities, ongoing labour disputes and work stoppages, uncertainty and hesitancy amongst the domestic and international business community, especially about the prospects for economic stability, structural deficiencies in the economy, high and rising labour unit costs, unemployment, shortages of skilled manpower, the high tax burden, low level of private savings and dissaving by the government.

The new government delivered its first budget in June 1994, but in the main it was still the product of the previous government's decisions. The government introduced a one-off transitional levy to cover the costs of the elections. This, naturally, increased the already high tax burden. No relief was granted for fiscal drag and a further reallocation of government expenditures was affected in the budget towards social expenditures (e.g. housing, education and health). Provision was also made for the first allocation of funds

towards the Reconstruction and Development Programme (RDP).

In September 1994 the government released a White Paper on the Reconstruction and Development Programme (RDP), officially indicating the future economic policies and directions of the new government. Generally all the major role players in the political and economic spheres subscribed to the viewpoints expressed in the RDP, but this document was vague about the precise and specific policy instruments and measures that would be used. At this stage it is perhaps necessary to describe the aims objectives and programmes contained in the RDP, as this policy document has a direct bearing on labour issues in South Africa (see also section 7.1). The RDP is represented as a integrated, coherent socio-economic policy framework to be developed into an effective programme of government, with the first priority to attack poverty and deprivation in the country. The RDP is a strategy of human empowerment and it signifies a decisive shift in policy towards dealing with socio-economic backlogs and empowering the disadvantaged to participate in the political, economic and social transformation .

The main principles contained in the RDP are the following (De Wet, 1994):

- it should be an integrated and sustainable programme;
- it must be a people-driven process;
- there must be peace and security for all;
- there must be nation-building in order to eliminate the historical division of society into first and third worlds;
- reconstruction and development should be linked; and
- the people affected by the programme and policies must participate in the decision-making process.

The proposals, strategies and policy programmes contained in the RDP, are grouped into five major, interlinked policy programmes, namely:

- meeting basic needs;
- developing the country's human resources;
- building the economy;
- democratising the state and society; and
- implementing the RDP.

The salient features of these policy programmes include the following:

- Meeting and addressing basic needs, including job-creation, land reform, housing provision, household electrification, basic nutrition and basic welfare rights.
- Education and training should be available to all and illiteracy should be eradicated.
- Neither a communist central planning system or an unfettered free market system is proposed. The state should play an enabling and leading role in guiding the economy and markets.
- Growth and redistribution must take place simultaneously.
- Substantial increases in net investment are necessary.
- Stable, consistent and predictable policies must be followed to attract foreign investors.
- Small and medium sized enterprises should be promoted.
- Minerals belong to the people and mineral rights must be returned to the government.
- Upgrading and integration of socio-economic infrastructure.
- Reform of the financial sector.
- Worker rights must be safeguarded and extended.

- Proper coordination between and within state structures and appropriate budgeting.
- Financing of the RDP will come largely from redirected rather than increased government expenditure.
- A stable macroeconomic policy environment is vital.

As was also indicated above, the government announced and released a report in December 1994 which contained persuasive and incisive proposals to completely revise and consolidate all the existing labour legislation in South Africa into a new Labour Relations Act (LRA).

The broad principles and policies on labour matters, as contained in the RDP, were usurped and concretised into the new proposed LRA. The new LRA aims to consolidate all the major pieces of existing labour legislation into one act. Furthermore, the primary aims of the new LRA are to give effect to the objectives and principles of the RDP by explicitly stating that a balance should be struck between the requirements of international competitiveness, the protection of the fundamental rights of workers and the avoidance of labour market rigidity. This must be achieved within the framework of promoting sound economic development, social justice and labour peace.

The new proposed LRA is based on the principle of voluntarism and freedom of association in the collective relationships between workers and employers. New conflict-preventative and -solving institutions are proposed, such as, bargaining forums, workplace forums and a Commission for Conciliation, Mediation and Arbitration (CCMA). The proposals also contain the extension of the principles of industrial democracy, workers' rights and codetermination. The government will, in many cases of labour disputes and arrangements, play a decisive regulatory role (e.g. minimum wage regulations).

Since the release of these proposals, workers (trade unions), the business sector and the government extensively discussed these proposals. Many fundamental differences existed between the parties and in some instances led to sympathy strikes by trade unions. The differences will later be discussed more fully in this paper, but with the aid of the government (especially the Minister of Labour), broad consensus on most of the proposals was reached in July 1995. This legislation was tabled before the Cabinet and Parliament in August 1995. The new LRA was accepted by Parliament in September 1995, despite certain differences that still exist between trade unions and the business sector. The description of the labour market structure in South Africa will incorporate the changes that will flow from the new LRA. The RDP and LRA will be discussed in later sections of this report.

4 Objectives of the Study

Seen against the light of these remarks, the purpose of this study is to describe, explain and analyse the role of the labour market policies, processes and institutions in the economy, with specific reference to its influence on employment creation, economic stability and income distribution; and to identify the main economic, institutional and sociological forces influencing the capacity of these markets to adapt quickly and effectively to discount these forces. In this regard, a historically descriptive explanation of the different forces which impede the smooth operation of the labour markets in South Africa will be presented. It will also become clear in this study that an assessment of the effective functioning of labour markets depends to a large extent on one's theory of how the labour market operates. In this regard there are two distinct schools of thought in labour economics, namely the neoclassical school and the institutional school. Thus, it is necessary briefly to review these two schools of thought as there are fundamental differences in their theoreti-

cal content and methodological approach. It is necessary to take note of these two opposing viewpoints to understand normative public policy measures and proposals.

II The Labour Market in the Economy

In a market-oriented economy the concept of the market is the central analytical device which economists apply to analyse issues such as, resource allocation, the determination of prices, levels of production and income in the economy. The theoretical apparatus that is usually utilised for these purposes is the theory of supply and demand. These considerations also apply to the analysis of the labour market. Labour economics studies specifically the determination of wages and employment in the labour market and the resulting distribution of income. At the conceptual and theoretical level labour economics and general economic analysis, thus, are closely linked at both the macro and microeconomic level. It is also significant to note that the labour market concept is central to both the main streams of labour market theory i.e. the neoclassical and institutional schools.

In the real sector of the economy, product and input markets are linked through transaction flow relationships between private households and businesses. These flow relationships can be expressed in terms of demand and supply forces impacting on these markets. On the labour market, households are the suppliers of labour services, whilst businesses are the demanders of labour services. In product markets these roles are exactly the opposite. The two sets of markets are thus linked with each other through the decisions and actions of households and businesses (both domestic and foreign) and the government.

The analysis of the labour market at the theoretical level includes many aspects, such as the unique features of this market, the labour market process and outcomes, the main forces that influence this market and the main streams of labour market theory. Brief comments will be made on each aspect.

The unique features of the labour market that distinguish it from product markets and have an influence on the functioning of the market, are:

- Labour as a service is inseparable from the person providing it.
- The employment relationship is usually of a long-term nature.
- The heterogeneous nature of the supply and demand of labour services.
- The multiplicity of individual sub-markets.
- Labour remuneration is the major component of the national income.

These unique features of the labour market, to a greater or lesser extent, influence the operation of the market and, thus, the resulting market outcomes. Before embarking on the assessment of the labour market situation in South Africa, it is worthwhile to briefly review the main labour market processes and theories. There are many forces that impinge on the capacity of labour markets to adapt quickly and effectively to changing circumstances. It is also clear that such an assessment depends to a large extent on the positive theory of how labour markets operate. In this regard there are two distinct schools of thought in labour economics, namely the neoclassical school and the institutional school. These two schools of thought exhibit fundamental differences in their theoretical content and methodological approach. These differences to a large extent also lead to differences in

normative public policy measures. A few brief remarks on the respective sets of forces and schools of thought are perhaps appropriate at this time.

The labour market processes (i.e. how markets operate) are influenced by three sets of forces that together determine the resulting outcomes, namely market, institutional and sociological forces. The market forces relate to the interaction between demand and supply in the labour market in determining wages and the allocation of labour. The efficiency with which a market allocates labour is determined by two related mechanisms i.e. changes in wage rates and the mobility of labour. Institutional forces entail the influence that various institutions and organisations, such as trade unions, governments and businesses have on the operation of the market. These forces affect labour outcomes mainly through the fragmentation (or "balkanisation") of the labour market and their independent effect on wage rates. Sociological forces, as a third determinant of labour outcomes, encompass the influence of social groups and norms on the pricing and allocation of labour (e.g. family background, class, culture, discrimination and customs). These forces exert their influence mainly through the determination of who can compete in labour markets, their independent influence on wage rates, or their influence on work through the labour market process. As will be clear from the analysis of the South African labour market, all these forces played a greater or lesser role in determining the labour market outcomes e.g. the changing level and composition of labour supply and demand, the remuneration structure and distribution, unemployment and money and real wage patterns.

There is, however, considerable disagreement and debate over the relative importance of each force, and this has led to two distinct schools of thought in labour economics i.e. the

neoclassical and institutional schools.¹ The neoclassical theory places its prime focus on the operation of markets and how the market forces of supply and demand determine wages and employment levels. Neoclassical economists usually treat the institutional and sociological forces as of secondary importance, or take them as given in the theory, or argue that these forces will be adequately discounted in their theoretical model. They usually assume that the labour market is competitive in nature so that demand and supply will determine a stable equilibrium. These impersonal market forces will ensure that an efficient allocation of labour resources will be attainable. The outstanding feature of this school is the rational behaviour of market participants in competitive markets, and their methodology is based on deductive reasoning and marginal decision rules.

The institutional school, on the other hand strongly emphasizes the influence of institutional and sociological forces on the structure and functioning of labour markets. Institutional and sociological forces segment the market into non-competing groups, thereby inhibiting the mobility of labour and preventing the operation of competitive market forces. The institutionalists accord more importance to the unique features of the labour market, and how these features impede or negate the role of supply and demand. More weight is attached to the importance of market imperfections such as rigid wages, persistent unemployment, barriers to labour mobility, and limited information. The process of wage determination is also characterised by their view that, for example, trade unions, corporations, discrimination and customs have an independent influence on the process. This school's methodological approach is based on inductive

1. A third school of thought is the Marxist or "radical" school and has, perhaps, the strongest influence in some European countries, Russia and China.

reasoning and research, and decision-making is mainly seen as an adaptive, step-by-step learning process or a rule of thumb approach (Kaufman, 1986:24-28).

III Main Labour Market Outcomes in South Africa

Outcomes in the labour market take many forms and the causes thereof are imbedded in both economic and non-economic factors. Our interest is mainly to understand, describe and explain these outcomes as the results of the functioning of the labour market. The main labour market outcomes that will be addressed are the changing level and composition of labour supply and labour demand, employment/ unemployment, structure of (differences in) labour earnings, changes in nominal and real wage patterns, and the changed role of government in the labour market. There are many other outcomes, but those mentioned here broadly capture the situation in the labour market of South Africa. As the main focus of this study is on the capacity of labour markets to effectively allocate labour resources, the discussion of the main labour outcomes will be brief.

1 Changing Level and Composition of Labour Supply

The quantity and quality of available labour are determined by the size and growth rate of the population, labour force participation rates, the hours worked, the level of education and training, socio-economic conditions, labour mobility and many other factors. The salient features of the labour supply position in South Africa can be summarised as follow:

- The growth rates (1980-1991) of the population (about 40 million) and the labour force (about 15 million) are about 2.3 and 3.1 per cent per annum respectively, although large differences in growth rates exist in

terms of race, gender, age and geographical area. For example, the growth rate of the Black labour force is close to the 3 per cent level, female labour participation rate has increased, new young entrants to the labour market number about 350 000 per year and Blacks have not nearly reached the urbanisation level of the other race groups.

- The total labour force participation rate (LFPR) has increased over recent years, the outstanding features being the increasing level of female participation and a decreasing rate of male participation. Again, differences are discernible according to race, age and educational level groups and areas. The total LFPR of women, for example, is presently about 40 per cent, whilst it was below 30 per cent a decade or two ago.
- As in other industrialised countries the hours worked per week have since the 1940's remained steady at around the 40-45 hours level, and this was also the case regarding hours worked per year.

Table 1
Economically Active Population According to
Level of Education, 1970 and 1991*

Level of Education	Whites		Coloureds		Asians		Blacks	
	1970	1991	1970	1991	1970	1991	1970	1991
None	0.6	1.8	21.5	10.0	7.9	3.2	49.7	21.8
Primary	2.8	0.5	45.8	30.9	36.1	9.5	36.7	36.6
Secondary	81.4	70.0	30.7	54.5	51.2	76.2	13.0	38.9
Tertiary	15.2	27.7	2.0	4.5	4.8	11.0	0.6	2.8
Total (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
(mill.)	1.7	2.4	0.8	1.4	0.2	0.4	5.4	7.5

* Excluding TBVG-states

Source: Central Statistical Services

- Although vast differences in the extent and quality of labour supply still exist, the level of education, training and skill have over the decades steadily improved as indicated in Table 1. There is, however, a long road to travel to upgrade the skill, educational and training levels of the workforce. The labour force is characterised by the large number of semi-skilled and unskilled workers, especially amongst Blacks, and these workers represent about 80 per cent of the total labour force. It is estimated that about 40 per cent of the workers in the industrial sector are functionally illiterate. (Barker, 1992). There also generally exists a clearly mismatched and procyclical relationship between training demand and supply.
- Whites, Coloureds and Asians have reached their peak level of urbanisation, (more than 90 per cent) whilst only about 40 per cent of Black population is urbanised, and therefore, still strongly situated in rural areas. More than 70 per cent of the total urbanised labour force is concentrated in the large metropolitan areas of South Africa.
- An estimated 3½ to 4 million people are involved in informal sector activities found mostly in and around cities and towns, and this figure is increasing (CSS, 1990). A wide range of economic activities are to be found in the informal sector, and it is generally described as a "survival" or "unrecorded" economy.
- The strong net immigration growth rate of the 1950's and 1960's, dissipated thereafter. Generally, net immigration declined and, especially since the 1980's, a "*brain drain*" has even occurred. The flow of foreign labour from the neighbouring African states (with the exception of perhaps Lesotho and Swaziland) has (officially) subsided considerably.
- The labour force, especially since the beginning of the 1980's, became increasingly labour union-oriented and

about 30 per cent of the total labour force belongs to an employee organisation. This figure will increase quite substantially with the inclusion of workers from agriculture, household services and the public sector under the present labour legislation structure.

It is quite apparent from the above trends in the labour supply that fundamental shifts and developments have occurred in the quantity and quality of the labour force. As will be explained later in this study, these trends can be ascribed to the many and diverse economic, institutional and sociological forces that have impacted on the labour market process.

2 Changing Level and Composition of Labour Demand

As in the case of labour supply, the demand for labour has changed quite dramatically. The employment growth capacity since the 1970's, has steadily declined to a virtual standstill level, or increased at such a slow rate that it did not keep pace with the increase in new work seekers. The labour absorption capacity rate of the formal sector in the economy is presently below 10 per cent (i.e. less than 10 out of each 100 new entrants can be accommodated in formal job opportunities). (DBSA,1993).

Over the past decades marked inter-sectoral shifts of labour employment have occurred. Employment in the primary sectors decreased, whilst employment in the industrial sector increased during the period 1960 to 1990, but this situation has shifted towards the tertiary services sector as the major employer of labour (see Table 2). Furthermore, the public service sector has shown a sharp increase and more than 15 per cent of the labour force is employed in this sector. The composition of the demand for labour has also changed

towards relative growth in white collar *vis-à-vis* the blue collar worker category. The white collar worker grouping includes the professional, technical, managerial, sales type of worker, or put another way, the demand inclined towards the more skilled type of labour. This might be linked to the changes in the product mix or changes in the type of production processes in the economy due to the introduction of new technologies.

Table 2
Sectoral employment shares in the RSA TBVC,
1960, 1980 and 1990

Sector	% share of total employment		
	1960	1980	1990
Agriculture	22.2	12.3	9.6
Mining	12.9	10.3	9.0
Manufacturing	13.8	19.6	19.1
Electricity and construction	3.4	6.4	7.0
Private services' sector	23.2	26.8	27.9
Government	9.5	13.1	16.6
Domestic Service	15.0	11.5	10.8
Total	100.0	100.0	100.0

Source: Barker, F.S. (1992). *The South African Labour Market*, Pretoria: J.L. Van Schaik (Pty) Ltd.

The demand for labour also changed or adapted to the size distribution of business enterprises in South Africa. For example, 90 per cent of all formal enterprises can be classified as small or medium-sized operations. Although this

type of enterprise is shown to be a net employment creator during the growth phases of the economy, it is also the group of enterprises which is usually hardest hit during recessionary phases. The growth in labour productivity has performed relatively poorly over time. This can be attributed to many causes which will be addressed at a later stage in this study.

3 Structure of Earnings of Labour

Over time, differences in earnings among individual workers, occupations, industries and geographical areas showed varying degrees of disparity. On the macro-level the relative and absolute levels and growth rate of labour remuneration have shown certain trends, for example, total labour remuneration in relation to the GDP has increased, though not at a steady rate, from about 50 per cent in the early 1980's to more than 60 per cent in the 1990's. Amongst and within occupations there is also a wide spread in earnings, for example, the difference between the earnings of high-level labour employed in the private and public sectors, has over time narrowed; and the annual median earnings of teachers or policemen relative to those of accountants or advocates have widened; and the average weekly earnings differential between skilled and to unskilled production workers has narrowed.

There are also marked trends discernible in the rate of change in the earnings differentials in different industries. For example, the average annual earnings of an agricultural worker showed a much slower rate of increase in comparison to the workers employed in the mining or industrial sectors. Many factors contributed to these differences in earnings that have occurred over the past decade or two, and their influence could be determined and analysed through the labour market processes. The inequality of the trends in the structure of labour earnings also has strong links with the unequal

and skewed distribution of income in the country, and this issue will be addressed at a later stage.

4 Changes in the Level and Composition of Unemployment

The central focus of all the economic debates at present is on the level and costs of unemployment in the economy. The unemployment situation can be described and analysed from many perspectives, but the two important dimensions that are of critical importance are, firstly, the total level and change in unemployment, and secondly, the unequal distribution amongst different race and age groups, occupations, industries and geographical areas.

The most frequently quoted unemployment figure for South Africa is 40 per cent of the labour force; these are people who are not formally employed, which means that about 6 million workers are formally unemployed. Some commentators would argue that the estimated 3½ to 4 million members of the labour force that are involved in the informal economic sector, should be subtracted from the first-mentioned figure. This would then translate to an unemployment rate of about 20 per cent. For the purposes of this study it is accepted that South Africa is confronted with a massive unemployment problem. Furthermore, the overall unemployment level has two aspects that need to be mentioned at this stage, namely: the level and rate of unemployment has generally shown a procyclical movement, but at the same time and even more perturbing, the level and rate of unemployment both have a long-term increasing trend, especially since the 1970's. In the 1950's and 1960's the unemployment rate was well below the 10 per cent level on average, but has since increased substantially to the present massive proportions.

Unemployment is distributed unequally in South Africa. Unskilled and semi-skilled workers (mostly Blacks) are the hardest hit by unemployment, but in recent years even skilled and high-level labour showed an increased rate of unemployment. As is the case in other countries, youth and women experience relatively higher unemployment rates than older and male workers. There are also differential rates of increase in the unemployment rates across industries, especially in the primary sectors and rural areas. Furthermore, the Eastern Cape's unemployment situation is worse than that of, for example, the PWV-region. It is apparent from the above observations and trends that the spread of unemployment in the economy is widely divergent and pervasive.

The unemployment problem has also strong and direct linkages with the general poverty situation (especially amongst Blacks) in the country. The worst poverty is prevailing in rural areas and it is estimated that in 1993 some 18 million people of all races were below the minimum subsistence level of R750 a family per month, and between 8-9 million people were "completely destitute" (DBSA, 1994).

5 Changes in Money and Real Wage Patterns

Since the beginning of the 1980's the average nominal remuneration per worker in the non-agricultural sectors increased by more than 16 per cent per year, although it has levelled off somewhat in recent years. These increases were throughout the period higher than the inflation rate. The average nominal remuneration per worker in the public sector increased at a faster rate than in the private sector, but the former slowed down appreciably in 1992 and 1993. Also significant in this regard is that the average increase in nominal wage settlement agreements between trade unions and employers was 17.4 per cent in 1990, 16.1 per cent in 1991 and 12 per cent in 1992.

These trends in nominal wages meant that the average real remuneration per worker also increased at a relatively high rate. For example, the average increase was about 1.5 per cent per year for the period 1970 to 1990, although it slightly decreased in 1991 and 1992. As indicated above the trends in nominal and real wage increases were not evenly spread between, for example, race, age and gender groups, industries and geographical areas.

The different rates of increase in average nominal and real wages are not only linked to the inflation rate, but also to the change in the productivity rate. These wage trends have been accompanied by low levels of and insignificant increases in labour productivity which explains to a large extent the sharp increases in unit labour costs. For example, the average increase in unit labour costs was more than 13 per cent per year for the period 1970-1990, which was more than twice as high as that of our main trading partners, resulting in a deterioration of South Africa's relative international competitiveness.

6 Changes in the Role of Government in the Labour Market

Since the early years of this century the government has been involved in the labour market situation of South Africa. This position of the government became more emphasised since the incisive changes in our labour legislation which followed the implementation of the Wiehahn commission's reports. For example, the government has at present both a direct and indirect role in the determination of statutory minimum wages in the economy, and this has to a large extent politicised the labour situation. These legal changes, in respect of general labour relations since the early eighties, also had an influence on the power balances between employers and employees as will be discussed in the sections

that follow. Furthermore, the government is also involved in labour matters such as, work safety, unemployment insurance, initiating and supporting training programmes, information provision and workplace health conditions. The public sector is also itself a major employer in the economy and more than 1,5 million workers are in public employment (see Tables 2 and 3).

Table 3
Economically Active Population According
to Identity of Employer
(percentage of total) in the RSA

Identity of Employer	1970	1991
Private businesses	68.9	56.4
Government	13.0	14.6
Private households, unemployed, etc.	18.1	29.0
Total (%)	100.0	100.0

Source: Central Statistical Services, *South African Statistics and SA Labour Statistics*.
 (various issues).

The brief remarks above about the main labour market outcomes are not the main focus of this study. The main objective of this study is to describe, explain and analyze the South African labour market in terms of the shortcomings, hindrances and rigidities which influence the capacity of this market to effectively allocate labour resources. In this regard it is necessary firstly to have a close look at the institutions and organisations involved in the labour market, the wage determination process in South Africa, and also to identify the

main economic, institutional and sociological forces which impact on the market and its resulting outcomes.

IV Institutions and Organisations in the Labour Market Processes of South Africa

1 Introduction

The wage determination processes in South Africa are characterised by the tripartite principle, i.e. the involvement of role players representing the interests of employees, employers and the government. Before embarking on the analysis of wage determination processes, it would be useful briefly to describe the functions, abilities, objectives, principles and means of the main institutions or organisations involved. For the purposes of this study these institutions and organisations would primarily be viewed in terms of their economic impact on and relationship with labour market conditions.

As indicated earlier, there is a close and direct relationship between the goods or product markets and labour markets in the economy. The employees represent the total supply of labour services, and the labour supply could also be described as a derived supply situation. The supply of labour is derived from the individual's or household's demand for income to acquire goods and services on product markets. Furthermore, the labour supply has a direct relationship with the demand for training (or education) opportunities in the so-called training market. It is worthwhile to note, that given the diverse backgrounds, culture, education, training and skills, the labour supply is a substantially variegated element in the market.

Since the Industrial Revolution about 1870, the position of the individual supplier of labour (worker) has changed from being both producer and consumer, to the position where the production and consumption functions were separated. The market position of the individual worker declined relative to that of the producer (employer). This situation gave rise to the formation of workers' groups or trade unions to strengthen their relative bargaining power on labour markets. Trade unions as representative bodies of the workers are responsible for the diverse interests of workers in the workplace .

On the other hand, the demand for labour originates from the producer or employer side. Employers' demand for labour is also a derived demand i.e. derived from the demand for the services or products produced by the business sector. Again, the relationship between the product and labour markets through employers' actions, are obvious. As indicated above, the position of the employers on the labour market strengthened since the turn of the century, but during the latter half of this century employers also realised that they had to improve their bargaining position vis-a-vis workers and government, through the formation of employer groupings or "unions". So a typical situation evolved where the demand and supply forces in the labour market were characterised by market power groupings. As will be discussed later, the formation of market power groupings in competitive market conditions, does not necessarily affect the market outcomes negatively if, for example, the principle of voluntarism is totally adhered to.

The third major role player in the labour market is the government. The role of the government in the labour market also evolved over time whereby, initially, its role was very much restricted to certain functions and areas, but externally, interests and conflicts of interest came to the fore, and the government became more intensively involved, mainly through

the formulation and implementation of labour legislation, creating labour institutions (such as government departments and other agencies), with the view of levelling the market playing field. The government also had a social responsibility to fulfil their macroeconomic objectives of ensuring and striving for full employment in the economy, and addressing the issue of unequal distribution of income and wealth. As will become more clear in our later discussions, the government's role in labour markets is a controversial subject, as its role can be evaluated from different theoretical and, sometimes, ideological viewpoints.

Before discussion of specific labour market institutions, it is worthwhile to refer to three general labour market institutions that were operative during the 1990's. To facilitate the co-operation, particularly between organised business, organised labour and government, on industrial relations and other labour and general economic policy issues, the National Manpower Commission (NMC) and the National Economic forum (NEF) was established and utilized. The NMC was a statutory body, whilst the NEF was a non-statutory body. After the dramatic political events of 1990, these tripartite bodies were incorporated into one statutory co-operative body namely, the National Economic Development and Labour Council (NEDLAC). NEDLAC was established in 1995 primarily to address economic, labour and development issues as the present situation particularly requires this with respect to the implementation of the RDP. One of the first major tasks of NEDLAC in the labour field, was to facilitate the formulation of the new LRA. The Minister of Labour is the link between the government and NEDLAC. The functions of NEDLAC are to reach consensus and conclude agreements on matter pertaining to all economic policy matters. It will also consider proposed labour legislation, and significant legislation affecting economic and development policy prior to its submission to Parliament (NMC Report, 1995).

2 Specific Labour Market Institutions and Organisations in South Africa

i Trade Unions

For purposes of this study it is necessary to briefly refer to the development of worker representation or trade unions in South Africa. It was only after the discovery of diamonds and gold during the latter half of the 19th century that significant worker representation from outside the enterprise developed. Right from the start of this development, all the initial labour legislation were based on racial discrimination, especially against Black workers. This dualistic approach to worker representation for Blacks and non-Blacks was formalised in the South African labour legislation. This situation basically continued up to 1979, with a continuing and expected deterioration in industrial relations between Blacks and non-Blacks. This eventually led to the appointment of the Wiehahn Commission in 1979 with the main brief to review the whole system of labour relations and legislation. Most of the recommendations of this commission were accepted by the government, and the resulting legislation and labour policies were converted into a unitary approach to worker representation. During the latter years of the 1980's many other incisive changes to labour legislation were incorporated with the primary view to promoting industrial peace and justice. In 1993/94 labour legislation was further amended to formally include the workers in the agricultural, household services and public sector.

As was discussed in the previous section, labour legislation was again the focus of a Ministerial Taskforce investigation, that was approved by the government in July 1994. This investigation had the brief to again revise all the legislation pertaining to labour relations and make recommendations to reconstruct, modernise and streamline the relevant legislation.

After the report of the Taskforce was made available to all the relevant and interested parties for discussions and comments, broad consensus between the organised business sector and organised labour were reached on these wide-ranging and incisive proposals. These discussions between the business sector, labour and government were formally done at NEDLAC (national Economic Development and Labour Council). NEDLAC incorporated all these proposals into a new concept Labour Relations Act (LRA) and submitted it to the Cabinet in July 1995. The proposed LRA was accepted by the Cabinet and the Parliament, and the LRA will probably become law in October 1995. One of the provisions of the new LRA was to broaden and strengthen worker and union rights (see also section 4.2.7).

It is necessary to keep in mind that although the present *de jure* situation in the trade union movement (and industrial relations) is void of all forms of discrimination, the *de facto* situation is still in a state of flux as racial divisions amongst the major trade unions are still prevalent, and they are, furthermore, also politically divided. This fact naturally complicates the collective bargaining processes and in some industries, such as the mining and iron and steel industries, has led to major conflicts between and amongst workers and employers. During the 1980's, the emergence of new trade unions were experienced which primarily accommodated the Black workers' interests, but concurrently a growth in "mixed" unions also took place. Trade unions, under the new labour legislation, are required to register with the Department of Labour, and this enables them to formally use the collective bargaining machinery of the Labour Relations Act (LRA), for example, industrial bargaining forums and workplace forums.

Since the unitary approach to industrial relations in South Africa was instituted, especially the new emergent Black trade unions, have used their bargaining power to address the

massive social inequalities in society, and their demands have generally inclined more towards political issues, although (excessive) wage and other workplace demands have also featured strongly in their negotiations with employers. In the light of the prevailing political climate, it is understandable that these unions used their organisations mainly as political vehicles to voice their wide-ranging demands. In terms of numbers, the trade union movement, initially increased slowly, but thereafter the membership of trade unions grew rapidly (see Table 4). It is presently estimated that about 3-3½ million workers belong to about 250 registered and unregistered trade unions. This means that about 30 per cent of the total labour force is unionised, and this figure will increase in the near future with the inclusion of agricultural, household services and public sector workers under the labour legislation system since 1994.

The trade union movement in South Africa is characterised by the fact that more than 70 per cent of the total number of registered unionised workers belong to the five largest trade union federations (1993). The largest federation is COSATU with more than 1,2 million members and 14 affiliates. This federation adopted the Freedom Charter and forms an alliance with the ANC and South African Communist Party in the present political dispensation (Barker, 1992:128). COSATU favours a socialist economic system. The second largest federation is NACTU (National Council of Trade Unions) with about 334 000 members and 21 affiliates. The broad philosophy of this federation is also strongly socialist-oriented with strong inclinations towards the PAC and ASAPO. The Federation of Salaried Staff Associations of South Africa (FEDSAL), with about 257 000 members and 14 affiliates, are supporters of the principle of a market-oriented economy characterised by private ownership and effective competition. The majority of its members at present are Whites. FITU (Federation of Independent Trade Unions) with 172 000

members and 33 affiliates also subscribes to the principles of a market-related economy. SACOL (SA Confederation of Labour) is a Whites-only federation (about 60 000 members), which amongst others, totally rejects the communist ideology.

Table 4
Registered Trade Unions and Membership, 1975-1994

	Trade unions (number)	Membership (number)	Trade union membership as % of economic active population (RSA) %
1976	173	632 286	7.6
1980	188	781 727	9.3
1985	196	1 391 423	13.7
1990	209	2 458 712	21.5
1992	194	2 905 933	24.2
1993	201	2 890 174	23.4
1994	213	2 470 481	19.7
Average Growth rate 1980-1994	--	8.6	--

Source: Central Statistical Services. *SA Labour Statistics* (various issues) and NMC (various issues) and excluding former TBVC states.

The five largest trade unions (all affiliated to COSATU) in South Africa are shown below, and this also indicates the main industries where they are active:

National Union of Mineworkers (NUM) 254 000 members
National Union of Metalworkers of SA (NUMSA)
238 000 members
SA Clothing and Textile Workers (SACTU) 170 000
members
Food and Allied Workers Union (FAWU) 121 000 mem-
bers
SA Commercial Catering and Allied Workers
Unions (SACCAWU) 102 000 members

ii Employers' Organisations

Employers have also organised themselves in employers' federations and organisations and most of them subscribe fully to the principles of a market-oriented economy. SACCOLA (SA Employers' Consultative Committee on Labour Affairs) was recently reconstituted into BSA (Business South Africa). This federation represents a powerful business voice in labour and other economic matters. SACCOLA claimed that they represented the interests of about 70 per cent of all employers in the private non-agricultural sector. Several other employers' organisations that are active in South Africa are SACOB (SA Chamber of Business), AHI (Afrikaanse Handelsinstituut), NAFCOC (National African Chamber of Commerce and Industry), Chamber of Mines, SEIFSA (Steel and Engineering Industries Federation of SA), BIFSA (Building Industry Federation of SA) and FABCOS (Foundation for African Business and Consumer Services).

It is apparent from the above discussion of trade unions and employers' "unions", that they subscribe to widely different philosophies of the functioning of the economy and specifically the labour market. It is thus safe to say that there will also be varied interpretations and evaluations of labour market outcomes and processes. These issues will be addressed more fully later in this study.

iii Formal Collective Bargaining Institutions

The LRA (1995) creates the framework, environment and opportunities for collective bargaining in South Africa, and is basically founded upon the principles of voluntarism, freedom of association and organisation and the greatest degree of co-determination and of self-management by employees and employers.

The fundamental problem of the previous labour legislation was the lack of conceptual clarity in connection with the structure and functions of collective bargaining. Consequently, there was no comprehensive statutory framework that accommodated and facilitated the orderly bargaining relations on industrial level as well as on the level of the workplace. The new LRA (1995) addressed these and other problems of collective bargaining by firstly giving recognition to the fact that the parties to collective bargaining must determine their own arrangements and there is no statutory obligation to bargain although the LRA actively promotes collective bargaining. This is done through the provision of a number of organisational rights for trade unions and employers' organisations and to recognise the right to strike. Furthermore, the LRA strongly promotes the establishment of institutions of mediation and arbitration. The LRA also promotes, without any stipulations, bargaining on the centralised or industrial level.

The LRA makes provision for registered trade unions employers' and employers' organisations to conclude legal binding collective agreements that can be contested through arbitration and not through civil court actions. The main institutions that give effect to these formal collective bargaining principles of the LRA are bargaining councils, workplace forums and the Wage Board. A brief description of these institutions is given below:

The LRA (1995) retained in a broad sense the stipulations of the previous LRA with the regards to industrial councils. The councils were renamed as bargaining councils, as the LRA covers all sectors (public and private) of the economy. A BC operates mainly on a regional and industry level and are permanent and legal organisations composed of an equal number of members of registered trade unions and employers' organisations. In the LRA provision is also made for the establishment of national bargaining councils for the public and education sectors.

According to the LRA the functions of BC's are to prevent and settle disputes arising between employees and employers. The collective bargaining process within a BC also covers a wide range of employment conditions such as wages, medical, unemployment, pension, funeral, maternity and holiday benefits and promoting and establishment of training and education schemes. Negotiation of agreements on minimum employment conditions takes place on a continuous basis. The constitution of a BC must make sufficient provision for the representation of the interests of small business enterprises.

After an agreement has been reached in the BC, the authority of the State is required to give statutory effect to agreements which is achieved by publishing the agreement in the Government Gazette and it then becomes delegated legislation. By such notice all the provisions of an agreement are binding to all parties to the agreement, as well as employers and workers who are members of those organisations. The BC can request the Minister to extend the statutory collective agreements to be binding on employers and employees, who are engaged in the business industry, trade or occupation within the registered jurisdictional area of the BC. The Minister is obliged to extend such an agreement if the requirements thereof do not discriminate against non-

parties, and if provision is made for the speedy resolutions by an independent body of granting exemption to applicants in this regard. Any dispute arising from BC's agreements must be resolved firstly, through the process of mediation, and if still unresolved, through arbitration. Secondly, if this procedure does not resolve the issues, it can be referred to the Commission (CCMA).

Industrial Bargaining Councils (BC)

In 1994 there were 86 industrial councils (now named as BC's) in operation covering the main industries in the economy. Jointly they administered about 140 agreements of which 80 agreements covered pension, provident, sick and holiday benefits and also provided for medical and training facilities, and 141 wage agreements. Since 1981 there had been a steady decline in the number of industrial councils (IC's) which can be ascribed to the fact that employers withdrew from IC's as a result of pressures from trade unions to bargain on both the IC and work floor levels, and the fact that some IC's have combined forces over the years, while others have disbanded. It would seem that at present trade unions prefer to negotiate on a centralised basis, whilst employers are more inclined towards decentralised bargaining. The number of employees whose conditions of employment have been regulated by IC agreements totalled 1,15 million in October 1994.

Workplace forums (WF)

The LRA makes provision for the establishment of workplace forums to firstly facilitate the shift from adversarial collective bargaining to co-operative problem-solving relation and participation between labour and management. These statutory structures will institute the continuous dialogue between workers and management. The focus of WF's is

qualitative i.e. it covers non-wage issues and provide workers with an institutionalised voice in management decision-making to improve productivity and profits. The LRA draws a strong and clear institutional division between WF's and collective bargaining. The activities of WF's require that all workers must be represented and not only trade union members as WF's ensure that workers have rights to information, consultation and co-operative decision-making. If unresolved issues should arise in WF's, the LRA makes provision for the establishment of mechanism through the CCMA, to address these conflict situations, such as arbitration, conciliation or any combination of these processes. Only employers with more than 100 workers are required by the LRA to establish WF's.

It is anticipated by the LRA that WF's will formalise labour relations at the workplace and replace the previous instituted structures such as works council and the recognition agreement system.

iv Conflict Settlement Mechanisms and Organisations

The LRA (1995) fundamentally and dramatically revised the dispute-settling procedures and institutions to give effect to the principles of voluntarism, the minimising of industrial actions through mediation, protection of workers against unfair labour practises and to minimise the tediousness and costs associated with unfair dismissals. A voluntary system of collective bargaining with minimum government involvement was introduced to promote industry level bargaining and conflict settlements through the newly-created bargaining councils, and also introduced workplace forums to give statutory support for the workers at the workplace. Furthermore, the LRA created a Commission for Conciliation,

Mediation and Arbitration (CCMA) and private procedures to address and settle disputes.

The CCMA

The CCMA is the centre of the system of conflict settlement of the LRA. This independent statutory body will be led by a director and consists of a panel of commissioners that will actively address disputes through mediation and arbitration as its main mandate. Other functions of the CCMA include the rendering of advice, and support, training, accreditation of private agencies and bargaining councils, the creation and election of workplace forum, publishing of codes of good practice, executing and including research. Mediation will be undertaken by the CCMA through a commissioner of the panel (full-time and part-time members). Arbitration by the CCMA will include recommended arbitration over unfair dismissal disputes, interest arbitration in the case of essential services, arbitration on organisational worker rights and voluntary arbitrations.

Any dispute not settled at the level of the bargaining councils and workplace forums or in the cases where the institutions do not exist, must be referred to the CCMA before procedures can begin in the Labour Court. The processes of arbitration and court procedures are separated from each other to streamline the processes and make it more cost-effective.

Private procedures

One of the central themes of the LRA is to give recognition to private concluded procedures and parties do not have to resort to the statutory procedures in these cases. Bargaining councils are prompted to create agencies that can be accredited to the CCMA to address dispute arising within

these councils. This is to promote the concept of self-regulation in the industry. The following parallel options exist for parties to a dispute:

- private dispute procedures through a non-accredited private agency;
- private dispute procedures through an accredited private agency;
- a dispute procedure within a bargaining council that is itself an accredited agency at the CCMA; and
- a dispute procedure through the offices of the CCMA.

If a bargaining dispute should arise the negotiating parties could resolve the issue by appointing a mediator. The mediator acts as a go-between with respect to the parties trying to achieve a settlement. The mediator makes only recommendations and does not take any decisions. In South Africa an organisation named "Independent Mediation Services" provides assistance to mediators to solve disputes. In 1994 this organisation handled about 460 cases in comparison with 440 during 1990.

Mediation and arbitration can be employed in terms of the LRA, and it may be either voluntary or compulsory. In the case of an industrial dispute the parties can decide to refer it to voluntary arbitration. The arbitrator/s, after hearing the respective arguments of the parties, take decisions that are binding on all parties. If the parties fail to reach an agreement on arbitration, the dispute will be referred to the CCMA. Compulsory arbitration takes place in cases of disputes involving essential industries or services and the Minister of Labour can appoint a committee for essential services to address these disputes.

Utilising the statutory conflict settlement mechanisms, it usually takes time to conclude disputes, and during this

period, workers or employers might be harmed by the time-lapse. To overcome this situation, any of the parties to the dispute may approach the CCMA for mediation. In cases where, for example, a worker has been dismissed and is thus losing wage income, the worker can be reinstated and recompensated pending the investigation and settlement of the dispute. Unsettled disputes can be referred to the Labour Court for settlement.

In-company mechanisms

As indicated above, many of the disputes that arise at plant level can be referred to workplace forums and handled according to privately concluded agreements. Many business concerns have also designed in-house industrial relations systems that cater for the resolution of specific disputes that might arise on the workforce.

Labour Court

The LRA provides for a Labour Court which has the task of settling disputes in the sphere of labour relations, and has a country-wide jurisdictional area. The Labour Appeal Court will firstly function as an appeal court and secondly, as a court of first instance in disputes arising from the LRA. This Court will consist of a Judge-President, a Deputy-Judge-President and judges appointed by the President. The previous Industrial Court started functioning in 1980 and was presided over by a president. There were four permanent courts situated in Pretoria, Durban, Cape Town and Port Elizabeth, and also operated 6 circuit courts which handle cases in the other centres. In 1994 the Industrial Court each year received about 6700 applications for cases to be heard.

Labour Appeal Court

The Labour Appeal Court consists of the Judge-President of the Labour Court and two other judges of that court. The main function of this court is to give judgement on all the appeals from the Labour Court, and can put aside, adapt or confirm any of the decisions of the Labour Court.

The previous Labour Appeal Court was established on 1 September 1988 consisting of six separate divisions. Its main task was to decide on any question of law arising from proceedings in the Industrial Court, to decide appeals against Industrial Court decisions and to review proceedings of the Industrial Court.

v The Wage Board

There are a large number of workers in South Africa who are not unionised nor fall under the formal collective bargaining mechanisms of the LRA. For these workers the provisions of the Wage Act (No 5 of 1957) are applicable. The objectives of this Act are the establishment of the Wage Board and determination of minimum wages and other employment conditions. On receiving an application or request from an employee or group of employees, the Minister of Labour can issue a directive whereby wages and service conditions may be investigated and fixed for a specific industry, trade or occupation in a specific geographical area. On completion of its investigations, the Wage Board's recommendations will be laid before the Minister, who can then decide to make it into law (i.e. delegated legislation). At the end of 1991, 28 wage determinations were in force and 76 exemptions from the provisions of wage determinations were granted. The Department of Labour (1995) recently announced that the Wage Board is to be restructured to be more representative, and to review its scope in terms of

economic activities (e.g. the farming and domestic worker sectors) falling within its jurisdiction.

vi Labour Brokers and Private Employment Offices

Another organisation that has some influence on the labour market is a person who practises as a labour broker. Such person or an organisation must register with the Department of Labour in terms of the LRA. At 31 October 1991 there were 668 registered labour brokers' offices. All private employment offices must be registered at the Department of Labour in order to protect the public against malpractices and exploitation. At the end of October 1991, 1400 private employment offices were registered and these organisations placed 95 000 persons into employment in 1991.

vii Department of Labour

In 1994 a new Department of Labour was created incorporating all the administrations of labour of the previous so-called TBVC-states, the self-governing territories and the RSA. As a transitional measure the affected administrations were kept in place until they could be unified in a new Department of Labour. During August 1994 the planning process for unification was completed and a single Department of Labour at a national level came into being.

Besides a Head Office, provision is also made for provincial directorates which are to be further divided into regional offices and labour centres. A new management structure was also approved and instituted and a task team conducted further investigations aimed at the restructuring of the new department. As labour is a national competency, it implies that there must be a single labour dispensation for the entire

country. To achieve this purpose the Integration of Labour Laws Act, 1994 was passed in Parliament at the end of 1994.

The following Acts of the former RSA will in effect apply to the whole of South Africa and will be administered by the new department:

- Labour Relations Act, 1995;
- Wage Act, 1957;
- Basic Conditions of Employment Act, 1983;
- Agricultural Labour Act, 1993;
- Manpower Training Act, 1981;
- Occupational Health and Safety Act, 1993;
- Compensation for Occupational Injuries and Diseases Act, 1973; and
- Unemployment Insurance Act, 1966.

It is obvious from the discussion above that the Department fulfils many functions in the collective bargaining area, but it also administers many other labour-related legislation. The LRA (1995) is the most comprehensive in a series of labour legislation measures in South Africa. The LRA was in recent years substantially updated and revised e.g. 1988, 1991 and 1995.

In July 1995 the Ministry of Labour issued a document outlining its Programme of Action, 1994-1998. In this document the Ministry announced the re-orienting of the Ministry to meet the requirements of a fundamentally distinct society and economy. The Ministry in future will seek to play a central role in achieving the society's two major objectives, firstly, the extension of the democratic gains already achieved and secondly, the attainment of economic well-being. As labour policy in future will be determined and applied by the new Department of Labour, it is necessary to summarise the

viewpoints and objectives of the Ministry for the next five years (The Ministry of Labour, 1995).

Underlying principles of the Programme of Action

As stipulated also by the RDP, the new department's primary objective is focused on employment creation, and in short term this will be achieved through various focused programmes. In the long run employment creation will be underpinned by sound macroeconomic policies that will be integrated with labour market policies. These programmes will include the following aspects:

- strengthening and refocusing available public and private vocational counselling programmes;
- mandating a Comprehensive Labour Market Commission (ELMC) to examine the role of national policy and institutions in the determination of wages and other incomes;
- examining the role of national policy and institutions in productivity improvement;
- eliminating labour market discrimination;
- subscribing to internationally accepted health and safety standards;
- facilitating the introduction of new forms of work organisation;
- reforming labour relations legislation;
- efforts to develop the link between the system of labour relations and economic performance;
- addressing the social implications of restructuring as envisaged in the RDP;
- a restructuring of the Unemployment Insurance Fund;
- supporting the development of multi-party policy-formulating institutions in particular the National Economic, Development and Labour Council (NEDLAC);

- a pro-active role for the new department in the formulation and implementation of labour market policies set by tripartite forums;
- the formulation of a comprehensive labour market policy that must be consistent with macroeconomic and industrial policies;
- the staffing of the new department that is more representative of the society;
- a more professional and efficient delivery of services and rationalisation of services within the department
- accommodating the role of the department towards South Africa's international labour relations to include inter alia, the adoption of ILO conventions and will also address other key components such as membership of multilateral organisations, new bilateral relations, globalisation and migration; and
- to improve and expand the availability of basic labour market data and creating the capacity to generate and analyse such data.

The development of a Comprehensive Labour Market Policy (CLMP)

The unequivocal support of fundamental human rights by the government necessitates the development of a CLMP within this framework. Furthermore, the enhancing of productivity improvement is essential to ensure that South Africa's international competitiveness position is improved. The RDP has established the framework for the government's overall economic, social and political policy. To ensure the effective implementation of the key objectives of the RDP further necessitates the development of a CLMP.

The CLMP charged with the formulation of proposals for such a comprehensive labour market policy was appointed in 1995. The composition of the CLMC includes persons

representing labour, business (including small business) and the government. The terms of reference of the CLMP are

- the development of an institutional framework for integrating rapid and sustainable economic growth and rising average living standard;
- the role of the national economic policy and institutions in productivity enhancement;
- the role of labour market policies in addressing the negative social implications associated with economic restructuring;
- mechanisms aimed at redressing discrimination in the labour market including a policy framework for affirmative action in employment; and
- development of an appropriate policy framework for dealing with access to the South Africa labour market by non-South African nationals.

The CLMC will produce its first report before the end of 1995 and a white paper on a CLMP is targeted for 1996.

Affirmative action

The Ministry of Labour is firmly committed to rectify the racial imbalances in the workplace and promoting equity at all levels of work. As described in the interim Constitution of South Africa, affirmative action is included in the terms of reference of the CLMC. It is envisaged that a discussion paper on this subject will be completed in 1995. This paper will emanate from discussions and workshops with the social partners and other interested parties. Afterwards, a meeting will be convened with the social partners to discuss the process of policy formulation.

National Training and Human Resources Development Policy

South Africa currently lacks the necessary skills required to effectively meet the needs of expanding domestic and international markets. Thus, to ensure success as a developing and competitive economy the quality of its human resources should be dramatically improved.

The multi-partite National Training Strategy Initiative in 1994 proposed far-reaching changes in policy in regard to training and education and includes the following recommendations:

- an integrated approach to education and training;
- development of a National Qualifications Framework and Authority;
- restructuring of industry training boards and the National Training Board;
- development of appropriate funding mechanisms; enhanced education and training within labour market programmes; and
- conducting a skills audit to assess and quantify the skills potential of persons in the employable age.

Vocational counselling policy

A national policy on vocational guidance is to be developed in collaboration with stakeholders in order to address the present shortcomings and set standards. This national policy should seek to address perceptual and social barriers to the active and full labour market participation by all workers. The following measures are being considered:

- the establishment of a large number of career guidance and placement centres;

- the creation of a multi-partite national statutory to oversee career guidance and placement;
- expanding the role of career guidance officers in the school curriculum;
- the networking of career guidance officers with the formal and micro-enterprise sectors;
- adaptation of aptitude tests to the South African situation; and
- identification of training and job opportunities and facilities for unskilled work seekers by placement officers.

There are about 8 million young people in the age group of 16-25 years in South Africa and during 1994 an extensive free careers counselling service was provided by 100 careers counsellors of the Department of Labour. In order to provide careers services for the entire community, in particular in the rural areas, the Department's first mobile careers unit was put in operation during 1994. During 1994 more than 1 million persons (67 per cent were males) voluntarily registered with the Department as unemployed with the aim of being placed in service and/or applying for unemployment insurance benefits. Only 35 per cent of these persons were work seekers who made use of the free placement service of the Department. In fact, The Department succeeded in placing more than 64 000 in employment during 1994. At the end of October 1994 there were 986 private employment offices registered at the Department. These offices placed about 59 000 persons in employment during 1994.

Job creation

The new Department's central focus is on job creation in accordance with the objectives of the RDP. The Department has a very critical role to play in job creation and public works programmes in terms of labour standards and training as well

as placement services. The possibility of introducing other employment programmes, such as wage subsidy schemes will also be investigated. A regulatory framework will be created for the National Public Works Programmes, as well as mechanisms for linking training programmes and career and placement services to these programmes. The Department will also seek the assistance of the ILO to identify the availability of comparative studies or assistance in relation to special employment programmes.

Strengthening civil society

The relative power positions of labour and capital are highly imbalanced as a result of apartheid policies and according to the Department this impacts negatively on the functioning of the labour market. There is also a lack of transparency and the availability of full market information for labour market participants. The Department seeks to actively pursue a policy of strengthening civil society in order to promote the effective functioning of the labour market. This will be done through the:

- expansion of knowledge about labour standards and labour legislation;
- promotion of worker education and training programmes;
- expansion of the knowledge and skills required for effective collective bargaining;
- substantial improvement in the general capacities of trade unions;
- establishment and financial support of permanent institutions to teach all aspects of the functioning of the labour market and the economy; and
- rendering of financial assistance to existing research institutions directed at the promotion of the quality of working life.

International labour relations

The re-acceptance of South Africa into the international arena has created a new phase and opportunities for the Department. This will demand considerable greater expertise and resource allocation, but which has the potential to yield considerably benefits as well. The key elements that will be addressed include the membership of multilateral organisations, new bilateral relations, globalisation and migration.

In June 1994 a delegation from South Africa attended the annual ILO Conference and South Africa was accepted as a full member of this organisation. This marked an end to a period of 30 years of isolation from international labour forums. At this Conference the Minister of Labour undertook to put before the government and the social partners the recommendation that the RSA considers ratifying the following conventions:

- *Convention 87: Freedom of Association and Protection of the Right to Organise, 1948;*
- *Convention 98: Right to organise and Collective Bargaining Convention, 1949;*
- *Convention 111: Discrimination, 1958;*
- *Convention 3: Maternity Protection, 1919; and*
- *Convention 105: Abolition of Forced Labour, 1957.*

Conventions 87 and 98 have been endorsed by the Cabinet and will be referred to Parliament for approval in 1995.

The Department is maintaining liaison with Lesotho on a regular basis, as was the case of Mozambique. Bilateral discussions also took place on a regular basis between Namibia and South Africa.

To meet the challenges of South Africa's re-entry into the international arena the Department will address the following issues:

- the development of policy on international relations;
- the submission of reports to the ILO, the OAU, SALC and other organisations;
- gathering of information on international labour affairs;
- development of coordination mechanisms between the Departments of Foreign Affairs, Finance, Trade and Industry and Labour;
- securing and managing technical co-operation from and to multi- and bi-lateral counterparts; and
- co-ordination with employers' and workers' organisations regarding international affairs.

The Department in its internal restructuring process has created a Directorate for International Relations to handle all these and related issues.

Labour law reform

As was described in the previous sections, the process of comprehensive labour law reform in South Africa already started in 1994 with the complete revision of the LRA. This process is presently continuing and will affect all the laws that are presently being administered by the Department of Labour.

The Department is presently busy preparing a draft statute to replace the Basic Conditions of Employment Act (No 3 of 1983). The aim of this Act is to spell out the minimum terms of conditions of employment (excluding minimum wages) that will apply to all employers and employees. This Act largely forms the basis of individual employment agreements and includes the following specific stipulations: normal working

hours, overtime (hours and remuneration),— Sunday and public holidays, contract of employment and termination thereof, annual and sick leave, victimisation protection and record-keeping requirements by the employer. During 1994 a total of 685 applications for exemptions from various provisions of the Act were received and 661 exemptions were granted, mainly in respect of the provisions relating to meal intervals, hours of work, overtime restrictions and the deferment of annual leave. The Basic Conditions of Employment Amendment Act of 1993, which covers the regulation of basic conditions of employment for domestic workers came into operation in January 1994. The Agricultural Labour Act of 1993, which further regulates conditions of employment for farm workers also came into operation in January 1994.

One of the main functions of the Department is the protection of the health and safety of persons in the place of work, in the course of their duties or in connection with the use of plant or machinery in the work situation. With the coming into operation of the Occupational Health and Safety Act (No 6 of 1993) on 1 January 1994, extensive legal powers were accorded to the Department regarding the health of persons at work, which includes biological monitoring and medical surveillance of workers. The Act also makes provision for the protection of the safety of the public against dangers arising from the work of others and in respect of the use of plant or machinery.

The Act also provides for a greater participation of workers and their representatives (trade unions) in matters regarding their health and safety in the workplace. This participation culminates in basic rights at the workplace including information access and the right to training in this regard. The Act, in this regard, provides that the employer should establish arrangements and procedures for the nomination or election and appointment of health and safety representatives. The

policy instruments used by the Department include, in addition to the Act and regulations, a variety of health and safety standards. Basic inspections are carried out at various workplaces throughout the country and in 1994 more than 19 000 basic inspections were carried out. In 1994 the Act also provided for an Advisory Council for Occupational Health and Safety to render advice to the Minister of Labour and jointly they considered the preparation of new legislation and the amendment of existing legislation. The first meeting of this Council took place in September 1994.

The Compensation for Occupational Injuries and Diseases Act of 1993 pertains to the compensation of an employee who is injured in the course of his employment. It specifically covers injuries and accidents in the work environment, such as disability caused by accidents to or industrial diseases contracted by workers. The Act also provides for the issuing of court orders for violations of the Act by employers. In 1993/94 the Department, through the Accident Fund, paid out nearly R6,8 million towards medical costs, which constituted nearly 2 per cent of the total expenditure of the Department.

The Unemployment Insurance Act (No 30 of 1966) is mainly aimed at establishing and maintaining a central fund by means of deductions from employees wages and government contributions. Each contributor is thus insured against the loss of earnings due to unemployment for reasons such as dismissal, redundancy, illness and pregnancy. Employees usually get a certain percentage of their original remuneration. Both the employee (earning less than a stipulated amount) and employers must contribute to the central fund. The Department intends to amend the Act in 1995 to scrap the present earning ceiling per annum. This is in view of the fact that retrenchments are not restricted to the middle or lower earning groups. Further amendments that will come into operation are to delete the maximum of R7 million in the form

of the State's contribution and to apply stricter penalties for the late or non-payment of contributions. In 1991 about 550 200 persons received an amount of R891 million unemployment insurance benefits.

The Manpower Training Act of 1983, aims to provide an institutional framework within which the training needs of the South African labour force can be addressed. The Act coordinates and promotes training activities via public and private regional training centres and training schemes. It also makes provision for the establishment of the National Training Board and industrial training boards. Specific areas of operation include training in terms of apprenticeships, training allowances, training of work-seekers and the unemployed, appointment of training advisors, administering a manpower development fund, imposing of training levies, provisions of grants-in-aid for training schemes and undertaking of extensive research in the manpower training field. In 1985 a scheme was launched with the view to training unemployed persons and in 1990/91 a further R75 million was made available for these purposes, to bring the total up to about R780 million spent on job creation projects.

The annual report of the Department for 1994 contains the following additional information with regards to manpower training:

- Since 1990 the Registrar of Manpower Training has accredited 24 training boards for the respective industries.
- In 1994 about 5000 new contracts of apprenticeship were indentured and this figure is about half the number for 1991. The development of alternative training routes as defined by the National Training Strategy Initiative is receiving attention to ensure that

sufficient numbers of artisans can be made available to industries.

- More than 11 200 trade tests were conducted in 1994 and nearly 6 000 candidates were successful.
- The Manpower Development Fund was established with the view to providing loans for registered training institutions and schemes. In 1994 some 11 applications for loans were received.
- The Employee Training Programme applies only to approved training courses for the training of workers at regional training centres, and was developed to cater for the training needs of the smaller enterprises. The State pays 60 per cent of the approved course fee.
- In 1994 more than R72 million was made available for the training of unemployed persons — a scheme launched in 1985. The training was undertaken by 435 contractors at 608 training venues throughout the country. Training for the formal sector included more than 48 000 unemployed persons, whilst training for the informal sector was given to about 65 000 persons.
- The Department also catered for the training needs of persons with disabilities and in 1994 some 613 persons were trained. Entrepreneurial training was conducted on a pilot project basis during 1994 and more than 7 000 persons were trained.
- To facilitate the immediate co-ordination and allocation of funds for job creation projects, a national job creation programme was established based on the principle of labour-based work methods for public civil engineering projects. About 500 such projects were approved in 1994 and located throughout South Africa. In this regard the Department is responsible for the funding of the training component of the projects and to ensure that these workers have the necessary skills.

Two other Acts are also in the process of being amended to fit in with the Department's restructuring process. Firstly, the Pensions Amendment Bill will provide for the adequate representation of worker members on the boards of pension funds. Secondly, the Insolvency Amendment Bill, will address the adequate provision of the protection of workers in cases where the employer becomes insolvent.

viii The National Economic Development and Labour Council (NEDLAC)

NEDLAC replaced the National Manpower Commission (NMC) at the end of 1994. The NMC had its origin in the Wiehahn Commission's recommendations accepted by the government in 1979. The LRA of 1956 was amended to this effect and the NMC came into operation in October 1979. The NMC was constituted on 1 November 1979 and had 40 members, 15 were connected with the State, 8 members represented private employers, 8 members represented unions and 9 members were either experts or represented other interest groups.

Although the NMC was restructured on a tripartite basis in 1993, business, labour and government felt the need to establish one statutory cooperative body to address economic, labour and development issues, particularly with respect to the implementation of the RDP. At the end of 1994 the National Economic Development and Labour Council (NEDLAC) was established. This institution incorporated the NMC and the National Economic Forum. The Minister of Labour is the link between the government and NEDLAC.

The functions of NEDLAC are to facilitate cooperation, to effect consensus and conclude agreements pertaining to labour policy, development issues and economic policy. It will also consider proposed labour legislation (as was the case of

the new LRA in 1995) and significant legislation affecting economic and development policy prior to its submission to Parliament. NEDLAC is a statutory body, financed by the government.

It is essentially a tripartite body involving organised business, organised labour and government. Business and labour decide among themselves on the allocation of seats among their respective organisations. The structures of NEDLAC consists of an executive council (with 72 members), chambers (four) and a management committee (maximum 20 members). The four chambers include: public finance and monetary policy; trade and industry; labour market; and development policy. The chambers draft reports and make recommendations to the executive council. The Council is to convene a national summit annually, and its aim is to involve as many groups and forums as possible and to establish a broader ownership of the Council. The Council appoints its own secretariat and may access research capacity by establishing a limited research function and linkages with existing research bodies, government departments and constituencies.

ix National Productivity Institute (NPI)

The NPI was established in 1979 as a non-profit making association. In 1994, the parliamentary grant to the NPI constituted nearly 50 per cent (R12,7 million) of its total turnover. The company was formed by organised employer organisations, labour unions and the government with the following mission statement: "The NPI's mission is to make a significant contribution to the improvement of the standard of living and quality of life of all people in South Africa, and to the creation of employment opportunities by taking and evoking action that will result in the more productive use of all resources" (NPI, 1994). This objective has a direct influence

in the improvement and promotion of labour productivity in South Africa.

The broad policy of the NPI is laid down by the Productivity Advisory Council appointed by the government. In helping to increase productivity in the country, the NPI produces the following types of research, productivity surveys and advisory services:

- Applied research studies on factors which affect productivity.
- Diagnostic surveys on productivity in specific industries, segments of the economy or individual firms and organisations.
- Databanks containing productivity-related information.
- General productivity improvement or development programs dealing with specific aspects of productivity.
- Training programs on productivity generally.

x Other Institutions

There are many other public and private institutions and organisations that directly or indirectly relate to the labour market situation in South Africa. For example, the Pension Fund Act, Income Tax Act, the Companies Act, etc., have in one way or the other an influence on the labour market process and outcomes.

It is obvious from the above discussion that a multitude of public and private institutions and organisations are involved in and around the labour market. A further dimension that also has a direct bearing on the labour market are the socio-economic and political conditions and developments prevalent in South African society. The labour market is not isolated from the influences that result from these conditions. Participants in the labour market discount these conditions in terms

of their actions and decisions on labour matters and although this is very important, it complicates the functioning of the labour market.

In the next section a description of the general wage determination structure and processes in South Africa will be given, and it should become clear what the relationship is between the institutional structure and the labour market.

V The Wage Determination Structure and Processes in South Africa

1 Introduction

At present there are about 9 million people in South Africa who are formally employed, and approximately 180 000 different public and private establishments that provide employment for these people. This quite clearly illustrates that there is an active labour market that organises all the employment decisions and determines the rates of remuneration. The labour market is the central analytical concept that is used to study the interactions between demand and supply forces which determine the rate of remuneration and the level of employment. The role of remuneration is that of an equilibrium force to bring demand and supply to a state of balance.

The actual operation of labour markets is influenced by certain unique characteristics that distinguish it from other market situations. Firstly, the labour services that are traded are embodied in the seller (human being) i.e. the labour service is inseparable from the persons providing it. This implies a direct and personal relationship between the worker and employer. This fact causes the exchange in the labour market to be determined not only by the price of labour, but

also a number of non-economic factors that include the conditions on the workforce. The decisions of workers and employers are thus based on a complex package of considerations (pecuniary and non-pecuniary).

Secondly, a significant feature of the labour market is the long term nature of the employment relationship. This fact has important implications for the sensitivity of wages to changes in demand and supply conditions, and the ability of wages to act as a equilibrating mechanism. For example, an excess supply of labour typically does not lead to a fall in money wage rates, and wages have a tendency to change much more slowly (particularly in a downward direction). This wage rigidity can thus result in a persistent imbalance between the demand and supply of labour before the necessary adjustment in the labour market take place.

Thirdly, the labour market is characterised by an extreme diversity in the features of the services that are being traded. The features of jobs and workers are frequently much greater than those of goods and services traded on other markets, for example, workers differ by age, sex, race, education, experience, skills and personality traits, whilst business enterprises have several types of resources to choose from in producing its product. The extreme diversity of workers and jobs, firstly, makes the labour exchange a function not only of wage rates, but also of many other non-wage features, and secondly, this fact complicates the acquisition and evaluation of information to both buyers and sellers of labour services.

Fourthly, the labour market is characterised by a multiplicity of individual sub-markets and market are separated by geographic location, occupation, skill, industry and so on. For example, the markets for plumbers, teachers and accounting clerks are quite likely to be quite distinct from each other. This has implications for the mobility of workers to move from

one market to another, and this movement becomes progressively more difficult the greater the disparity in skills and geographic distance.

It is generally accepted that the process of industrialisation brought about a separation between capital (management) and labour. In the pre-industrial economy the two functions of management and labour were combined in one person. The result of industrialisation was the devise of the single producer and the creation of a wage labour force. The employment relationship contains both the elements of cooperation and conflict. The minimum profit requirements of a business enterprise coupled with the minimum compensation requirements of the workers, determine the boundaries of the cooperative and conflicting employment relationship. Most enterprises have labour relations that contain these elements, but the exact spread thereof will depend on the management philosophy and the competitive position of the enterprise in the product market. In this regard a distinction can be made between high and low conflict employers.

The wage determination process is also characterised by individual or collective actions by workers. An individual worker has the choice to participate in the process individually, and can improve his or her situation in the labour market through quitting a present job to find a better one, or improving his or her educational or training capabilities or to confront the employer on a one-to-one basis. There are several reasons why the individual worker might fail in the labour market. Examples are the presence of persistent unemployment, or a few other employment opportunities to choose from or the lack of mobility or discrimination. The other option available to a worker is collective action by joining a labour union.

Another important dimension of the wage determination process is the structure of bargaining between employers and employees, that is who bargains with whom and who is covered under the collective bargaining structure. The bargaining structure plays a primary role in determining the relative bargaining power of the parties in the negotiating process. A wide variety of bargaining structures can be identified and are operating in labour markets. On the employers' side the smallest and most decentralised form is single plant/single employer bargaining. Bargaining can become more centralised in the situation of multiplant/single employer bargaining and finally, also as a result of the form of multi-employer bargaining, which usually occurs in industries where there are many small firms. On the employees side the structure can also be fragmented from the most centralised form (single union coverage of an industry) to the multi-union coverage of an industry where, for example, one large business enterprise bargains with many different unions. Another forum of centralised bargaining is so-called pattern bargaining, i.e. where the trade union negotiates an agreement with a particular firm in an industry and imposes this agreement upon all other employers in that industry.

There is thus a wide range of bargaining structures found in labour markets ranging from the decentralised systems to a highly centralised bargaining structure. One of the most important determinants of the type of bargaining structure is the power positions of both the employers and workers (trade unions). McConwell and Brue (1989) came to the conclusion that "There is no such thing as a 'typical' bargaining structure". The objective of both employers and labour unions is to obtain the bargaining structure that maximises their relative bargaining power.

As was described in previous sections, the functioning and outcomes of labour markets are directly influenced by the

legal framework that governs individual and collective bargaining. This framework is composed of statute law, common law, court rulings and rulings of regulatory institutions, that together define the rules of the game applicable to both employers and workers. The legal framework also provides insights into the involvement of the government in labour markets, and it also define the power position, rights and responsibilities of both parties. Laws governing labour relations in general and collective bargaining in particular constitute a significant institutional factor which influences wages, employment and resource allocation.

2 General labour relation developments in South Africa

Since the introduction of the first formal labour relation legislation in the early 1920's, the wage bargaining structure and processes have remained basically unchanged. Since the establishment of the former industrial council system in 1924 (a private employer/employee body) and the accompanying structures and processes in terms of wage arrangements, the bargaining system up to 1979, was characterised by its dualistic nature, as Black workers were excluded from the formal statutory bargaining system. The dualistic labour relations system was drastically transformed into an unitary system in 1979, and all forms of discrimination in the labour relations legislation were removed. This was the first major legislation that went contrary to the principles of the apartheid system. As was also described in previous sections, the labour relations legislation was again dramatically reformed in 1995 with the unification of the existing labour relations legislation into one bill.

It is significant that during the last 70 years the two main levels of wage bargaining have remained intact, i.e. the centralised and decentralised levels of bargaining in both the

private and public sectors. However, the preference patterns of employers and employees in terms of wage bargaining shifts substantially during this period. Up to 1979 employees and their organisations preferred and demanded that negotiations and bargaining be conducted on a decentralised industry or plant level, whilst employers and their organisations preferred the centralised levels. Since 1979 these positions have been reversed and even in the LRA (1995) the viewpoint is that these negotiations should take place on the centralised level. A contentious issue between employees and employers at the present time is the legal stipulation that these centralised negotiations must be voluntary and not compulsory (as being demanded by trade unions). To facilitate this wide divergence of viewpoints, the Minister of Labour proposed that in cases where employers and trade unions in a particular industry cannot come to an agreement on the nature of bargaining, a statutory board could be appointed to accommodate the demands of both parties (previously Conciliation Boards were used). In this way it is hoped that deadlocks on these issues could be avoided and amicably resolved.

3 The LRA and the Wage Determination Structure and Process

The LRA (Labour Relations Act) of 1995 is the major statute that governs and influences wage determination in South Africa, and to fully understand this process, the main aspects of the LRA in this regard will briefly be discussed. It was a long felt need that the South African labour law should be fundamentally revised, and in 1995 the Minister of labour also initiated a five year plan to modernise the legal framework and institutions that govern labour markets. The placing of a new LRA on the statute books was the first step in this process. The primary aims of the LRA are to promote economic development, social justice and labour peace.

i General Principles

Two general principles contained in the LRA namely, its coverage and the freedom of association principle have a direct bearing on wage bargaining. The LRA provides a comprehensive legal framework that governs collective labour relations in all sectors of the economy (i.e. it covers all employers and employees). The only exceptions in this regard are those pertaining to members of the South African National Defence Force, Intelligence Services and the South African Police Service. Their exclusion from the LRA and concomitant restriction of their rights, flow the unique activities that they perform and it is also in time with international practice. For these institutions other bargaining forums or mechanisms will be established.

The full spectrum of rights in regard to the freedom of association is contained in the LRA, and is in full accordance with the Conventions of the ILO (Convention 87 of 1948). Employers, work seekers, employees, trade unions and employer organisations have these rights. Every worker (including work seekers) have the right to form a union, or to become a member of a union and to participate in such activities. These same rights are accorded to employers and all forms of victimisation are forbidden. Contravention of these rights or disputes thereto are referred to the CCMA for conciliation, and even the Labour Court could be utilised in this regard.

ii Collective Bargaining

The LRA emphatically promotes the principle of collective bargaining, especially bargaining at the central or industrial level, although the distinctive feature of the LRA is the absence of statutory responsibility to bargain. The LRA subscribes to a framework whereby the bargaining parties are

allowed to determine their own arrangements according to their position of strength. This stipulation is aimed towards the avoidance of rigidity in labour markets and accordingly, contribute towards the improvement in the country's international competitive position. Generally four levels of collective bargaining can be distinguished namely, NEDLAC, bargaining councils, the workplace level and workplace forums. All the features and functions of these institutions have been described in the previous section. In terms of wage bargaining between employees and employers the role of especially the bargaining councils and workplace forums are important as will be later discussed in this section.

The LRA determines the following organisational rights of representative trade unions: the access to premises; to hold meetings; to organise voting; to debit order facilities; right of free time for trade union activities; and access to information pertaining to collective bargaining. These rights are not absolute, but are qualified through conditions that are reasonable and must satisfy the requirements of the principles of representativeness of trade unions. NEDLAC, is instructed to determine these statutory representative levels which also can be revised in future. Presently a figure of 30 per cent was proposed by NEDLAC, but this figure is still being debated by the relevant parties. Furthermore, these rights are limited to the requirements that ensure that life and property are secured and to prevent the unreasonable disruption of work. Disputes in respect of these organisational rights must be speedily addressed through the offices of the CCMA.

Registered trade unions, employers (and/or their organisations) can conclude legal-binding collective agreements that is enforceable through arbitration rather than through judicial court actions. This stipulation further fosters the policy of self-regulation and the parties are now forced to take responsibility for the enforcement of their own agree-

ments. The collective agreement binds the parties and their members to the contents thereof and is implemented 30 days after the signing of the agreement. Each collective agreement must make provision for decisions concerning disputes through conciliation and arbitration.

Closed shop or agency workshop agreements which are in agreement with the requirements of the LRA are legally binding. This is a result of Article 33(5) of the Interim Constitution in which the freedom of association principle was accepted, although it does not answer the question if this right includes the right not to associate. Thus, existing industrial council agreements that secured the closed shop arrangements under the previous LRA are continued until the new constitution is finalised. The LRA, however, makes provision for the agency shop principles and agreements that are binding if the trade union is representative of at least 50 per cent of the workers in the workplace; non-union workers are not forced to join unions; the deduction of agency fees from non-members is not more than those from unions members; and the agency fees paid by non-members must be deposited in a fund (administered by the employer and union) to defray the expenses of the union towards collective bargaining.

As was previously mentioned, bargaining councils (previously known as industrial councils) are a manifestation of the RDP and the government's commitment to industrial level bargaining. This concept is broadened in the LRA to include all sectors of the economy. The following revisions are now also incorporated into the LRA namely, the requirement that the interests of small businesses must be represented, the annual revision of the representative nature of the councils and a new rule in respect of the extension of bargaining council agreements to non-parties, and especially the requirement that these agreements can only be extended if provision

is made for the speedy determination of exemptions by an independent statutory body.

A bargaining council can request the Minister of Labour to extend an agreement to non-parties to the agreement if such non-parties fall under the registered jurisdiction of the council. Within 30 days after receiving such a request, the Minister can extend the collective agreement through the publication thereof in the Government Gazette. It is then binding on all non-parties to the agreement. In the collective agreement, however, explicit provision should be made to grant speedy decisions on exemptions to non-parties on the grounds of excessive disruption and that the stipulations of the agreement should not discriminate against non-parties. If the Minister is of the opinion that the delay to extend the agreement will undermine collective bargaining on a sectoral level, he will extend such an agreement.

The LRA also makes provision for the establishment of bargaining councils in the public sector namely, a bargaining council for the education sector (which will be known as the Council for Labour Relations in Education), and a bargaining council for the public service (known as the Public Service Bargaining Council). The LRA also left the door open for the security forces to establish their own form of bargaining councils. All these public and private bargaining councils are governed by the same principles under the LRA and they must register with the Department of Labour and it must be sufficiently representative. NEDLAC has the function to determine the jurisdictional areas of each bargaining council.

iii Industrial Action

In the wage bargaining process, industrial actions is part and parcel of the process and the LRA makes specific provisions for the actions of both workers and employees in

this regard. In the Interim Constitution the right to strike and the utilisation of lock-outs are guaranteed. The LRA gives further effect to these principles.

The LRA makes provision for a simplified procedure for a legal strike or lock-out. If a dispute between workers and employers should arise, the dispute must be referred to a bargaining council or conciliation in terms of a collective agreement or to the CCMA for conciliation. A period of 30 days are allowed for the settlement of the dispute, and if this does not eventuate, a legal strike or lock-out can be implemented. In this case either party must give each other 48 hours notice before taking action. If the dispute is in connection with the refusal to bargain, the dispute is also firstly referred to arbitration for settlement before industrial action can be instituted.

The LRA limits the right to strike or lock-out action in cases where the dispute is part of a collective agreement, or where the dispute is referred to arbitration or the courts or in the case of essential service's dispute. It is not necessary to institute voting as a statutory requirement to call for legal strike action. In the case of possible industrial action in essential services, the LRA makes provision for the establishment of a Committee for Essential Services, appointed by the Minister of Labour in consultation with the Minister of the Public Service and NEDLAC. The disputes that arise in these cases are referred to this Committee for compulsory and bind arbitration. This Committee has also the task to identify the essential services under its jurisdiction and it must be in the line with the requirements as laid down by ILO Conventions.

A strike or lock-out executed according to the provisions of the LRA, do not constitute a contract contravention, and consequently a worker cannot be dismissed on the grounds of him/her striking. If the strike action can lead to unrepaira-

ble harm to the employers affected by the action, the LRA makes provision for the speedy settlement of such a dispute (arbitration) or the utilisation of alternative labour resources to ensure the viability of the employer's operation. The employer, according to the LRA, is not obliged to pay a worker during the legal lock-out period. The LRA stipulates three remedies in the cases where a strike or lock-out is not legal i.e. it can be prohibited by an order of the Labour Court; the Labour Court can instruct the payment of losses due to a strike or lock-out; or striking workers can be dismissed.

Secondary strikes and picketing during a strike, are regulated by the LRA. Secondary strikes are allowed on condition that the primary strike is legal and that the secondary employer has been notified 48 hours before such action takes place. The LRA allows a trade union to take picketing action outside an employer's premises if it is towards peaceful purposes. Any contravention of the prescribed procedures are referred to the CCMA for conciliation or in cases of a flagrant contravention the Labour Court could issue or interdict to prohibit such action.

In line with the Conventions of the ILO, the LRA subscribes to the fundamental right of workers to strike to secure or promote their socio-economic conditions. This kind of protest action is safeguarded in the LRA with the proviso that NEDLAC must be notified 14 days before such planned action; it must be sanctioned by a registered trade union or federation; and must not take place in a essential service. The Labour Court could in some instances issue an order that prohibits such action.

iv Workplace Forums

In the process of wage bargaining (which also includes a wide range of employee work conditions), the LRA created a

"second" channel of industrial relations namely, that of workplace forums. The LRA, through this mechanism, strives for workplace restructuring away from an adversarial relations system towards a more cooperative or codetermination system, whereby labour and management can operate more closely with each other. The focus of such a forum is primarily qualitative i.e. it concentrate on non-wage issues.

The LRA created workplace forums to extend the representation of workers outside the limits of formal collective bargaining, through the provision that workers obtain an institutionalised note in the management decision-making process. The establishment of workplace forums must be initiated by registered trade unions at employers who must have at least 100 workers employed. Such a workplace forum will represent the interests of all workers in the workplace to provide and improve the efficiency of worker participation in decision-making.

The number of members of a workplace forum are determined by the number of workers in the workplace, with a minimum of 5 and a maximum of 20. The employers are obliged to meet with their forums on a monthly basis and must prepare a report on the financial and employment position of the establishment. Thus, workplace forums have rights towards information, consultation and co-determination. NEDLAC have been instructed to determine the issues of consultation and co-ordination that defines the scope of operation of the workplace forums. Any disputes arising in these forums must be addressed and resolved through conciliation and arbitration by the CCMA. The compulsion laid upon employers to divulge applicable information to the forums, are accompanied by a confidentiality clause that, if contravened, can be punishable through heavy fines and parties could also be brought before the Labour Court in the cases of damage compensation.

v Unfair Dismissals

The wage bargaining process could be directly or indirectly effected by the stipulations in the LRA concerning the unfair dismissal of employees. The LRA prohibits the unfair dismissal of workers and the LRA recognises the long term relationship that exists between workers and employees and thus, promotes the concept whereby alternatives should be seek in the case where worker lay-offs are considered. Furthermore, the LRA safeguards the efficiency of establishments in this regard by avoiding unnecessary work security laws.

The LRA specifically provides consultation rights for trade unions or worker representatives in the case of dismissals based on economic, technological or structural reasons. In this regard the LRA followed South African law, the ILO's Convention 158 and the European Union's directive. In terms of these reasons an employer is obliged to pay a dismissed worker severance pay (one week's wage for each service year). The LRA also explicitly spells out the rights and responsibilities of employers in the case where an establishment is put up for sale. The LRA makes provision for the automatic transfer of employment contracts in such cases if the employees consent to this. Any dispute arising out of unfair dismissals can be referred to the CCMA or Labour Court for either conciliation or arbitration. The Labour Court can order the re-instatement of workers, the payment of compensation or any other legal remedy.

vi Other Issues

Other issues that also relate to the wage bargaining process concern the registration of trade unions and employer organisations. To participate in the formal collective bargaining processes these institutions must be registered, although

registration is not compulsory. The implications for a registered trade union are that it qualifies for the aforementioned organisational rights, it can become a member of a bargaining council; it can conclude binding collective agreements; and can apply at the CCMA for the establishment of a workplace forum. The membership of a member of a trade union or an employer's organisation, cannot be ended on the grounds that such a member does not participate in a strike or lock-out. The registration procedure contained in the LRA is simple and speedy and concurs with the right of freedom of association, as is guaranteed in the constitution and is in accordance with international labour standards.

Finally, the dispute settling procedures in the LRA makes provision for more simplified, speedy and user-friendly processes. To this end the LRA relies heavily on the processes of conciliation, mediation and arbitration by public and private establishments. The focus of dispute settlement is the establishment of the CCMA (as has been described earlier). Furthermore, provision is made for private procedures to address disputes thereby fostering the principle of self-regulation in industry. The Labour Court and Labour Appeal Court are final adjudicators in terms of dispute settlement procedures. All these institutions have been discussed previously and have a direct bearing on disputes that may arise in terms of the wage bargaining processes in South Africa.

4 Levels of Wage Bargaining in South Africa

The general structure and levels of wage bargaining in South Africa are shown in Figure 1, depicting the position as in mid-1995. Accordingly, two broad levels of wage bargaining can be distinguished namely, a centralised bargaining level, which includes the bargaining councils and the Wage Board, and a decentralised level of formal and informal wage determination (including workplace forums and private

individual employment agreements). Furthermore, a few estimated statistical dimensions and an analysis of these levels will provide a broad perspective on wage determination in South Africa.

At mid-1995 it is estimated that about 4.1 million workers were members of registered and unregistered trade unions, which represent about 31 per cent of the total economically active population (of about 13.4 million). This figure will probably increase in the coming years as workers in the public sector and agriculture sector and household workers become members of trade unions. On the other hand, it is estimated that there are about 180 000 public and private establishments in South Africa that are involved in the wage bargaining process.

i Centralised Level of Wage Bargaining

The main institutions that are involved in the centralised wage bargaining system are the bargaining councils in both the private and public sectors.

This formal, voluntary, statutorily-assisted (as prescribed by the Labour Relations Act), and centralised level of collective bargaining between employer and employee groups (trade unions), is the primary form of wage bargaining in South Africa.

Figure 1
Wage Bargaining Levels, Structures and Processes in South Africa (estimates)

Bargaining Level	Employees	Structure/Process	Employers
A: Centralized Wage Bargaining 1. Private sector actions	Trade Unions (± 1.6 million) ± 12% of EAP	<pre> graph TD BC[Bargaining Councils] --> LMW[Legal Minimum Wage Determinations/Agreements] LMW --> WB[Wage Board] </pre>	Employers' Organisations (± 40 000 employers) ± 23% of the total number of establishments (LRA) *
2. Government sector actions	Employers (± 1.0 million) ± 7% of EAP		Employers ± 2% of the total number of establishments (LRA) *
B: Decentralized Wage Bargaining Private and government sector actions	Trade Union Workers (± 1.5 million) AND Non-Trade Union Employees (± 8.4 million) ± 80% of EAP	Derived/Autonomous Wage Determinations/Contracts	All other LRA employers (± 135 000) ± 75 % of the total number of establishments (LRA) *

Notes: EAP: Economically active population
LRA: Labour Relations Act
Sources: Department of Manpower, National Manpower Commission and own estimates.

The major private economic sectors in the country (e.g. iron and steel, motor, food, clothing and textile industries and the public sector) annually engage in a collective bargaining process, amongst others, to reach agreement on changes in nominal wage and salary levels. After the conclusion of such an agreement between the parties, this agreement is passed into legislation through publication in the Government Gazette. These sets of wage agreements (and other workers' benefits) consist of minimum wage determinations or agreements which are legally applicable and enforceable in predetermined industries, areas and occupations. Employers usually interpret these wage rates as actual wages, whilst labour unions often take them as minimum rates (Goldberg, 1991:-39).

In terms of the representative nature and extent of the parties involved in this permanent collective bargaining institution, the following can also be deduced from Figure 1:

- Centralised wage bargaining involving members of trade unions employed in the private sector economy totalled about 1,6 million or about 12 per cent of the total economically active population (EAP).
- About 1,0 million members of trade unions are involved in centralised wage bargaining, through either public sector bargaining councils (e.g. public servants, education workers, etc) or the Wage Board (a statutory board) and represent about 7 per cent of the EAP. This means that about 2,6 million members of trade unions (about 20 per cent of the EAP) are involved with or affected by centralised wage bargaining through trade unions.
- The number of public and private establishments involved in or covered by centralised wage bargaining is estimated to be 44 000 i.e. about 25 per cent of the

total estimated member of establishments in South Africa.

- It is estimated that about 3500 establishments are covered by Wage Board wage determinations i.e. about 2 per cent of all establishments in South Africa.

For the purpose of evaluating the effectiveness of the wage determination process, the following characteristics of centralised wage bargaining must also be pointed out (see Nel and Van Rooyen, 1991:98-116):

- Adjustments in the statutory minimum wage levels are usually made annually (in the eighties and nineties only wage increases were negotiated) for a specific industry, area or occupation through the process of statutory centralised wage bargaining.
- Parties who do not participate in the process, but who are members of the trade unions or employers' organisations concerned, are bound by these agreements through delegated legislation (LRA), although such parties may make representations to the Minister of Labour for exemption from the stipulations of the agreements.
- These legal minimum wage agreements are furthermore extended to other non-participating, but related industries, areas and occupations, if the parties to the bargaining council are "sufficiently representative". The same mechanism exists whereby representations can be made to the Minister of Labour for exemption from these wage and other determinations or agreements. This procedure was confirmed by a decision of the Cape Division of the Supreme Court whereby such employers were forced to comply with the determinations or agreements of the industrial council concerned. This procedure has been in operation since the inception (1924) of the Industrial Conciliation

Act (now the LRA) (Lucas, 1933:51). For example, in 1985 the Department of Manpower found that non-parties to industrial council agreements represented more than 50 per cent of all the employers affected by these agreements. The percentage of workers employed by these non-party employers represented about 25 per cent of all the employees affected by these agreements. These figures do not include unregistered trade unions.

- The principle of freedom of association is explicitly recognised by the LRA in respect of individual membership of both employers' and trade union institutions, but thereafter this principle is absolutely suspended as individual members are legally bound by the ensuing agreements. Entry into the bargaining council system is also not absolutely free, for example, only registered trade unions are admitted to this formal bargaining process if the specific bargaining council should consent (Nel and Van Rooyen, 1991:105). On the other hand, individual employers may not selectively and freely withdraw from the negotiated centralised wage determinations (given the application for ministerial exemption). For example, in 1994 exemption from the determinations of industrial council agreements were granted to only 3 per cent of the total number of private enterprises (Department of Labour, 1994), although more than 90 per cent of all the applications were granted (i.e. in about 6800 cases industrial councils granted exemptions to employers).
- Apart from wage adjustments there are also many other workers' benefits that are simultaneously negotiated (e.g. pension and medical fund contributions). For example, in 1994 industrial councils collectively administered 156 industrial council agreements, 91 of which provided, inter alia, for pension, provident, sick

and holiday benefits and medical aid and training facilities.

- It is clear that the government is also involved in the process of centralised minimum wage determination. The government gives legal status to a voluntary agreement reached by employees and employers in the bargaining council system. The government then becomes one of the "co-partners" of such a wage agreement and the enforcement of the conditions thereof. The initial voluntary agreement, thus, becomes a "*coerced*" agreement.
- The public sector presently employs about 1,75 million workers i.e. about 15 per cent of the total EAP. It is estimated that about 0,5 million workers in this sector belong to trade unions (i.e. about 30 per cent of the total employment) and this figure might increase further in the near future. Wage bargaining between employees and the government, as major employer, takes place on a centralised level annually. The outcomes of these negotiations have, naturally, direct budgetary implications. As was described previously, the education sector workers can now also establish a bargaining council who can negotiate and bargain on a centralised level with the government on the same basis as that which applies for the public service bargaining council. There is also a strong possibility that some form of a centralised bargaining forum will be created for the workers employed in the security force sector.
- This level of wage bargaining is characterised by the existence of market power on the supply as well as the demand side and, given the relatively restricted nature of the process, it can be described as an imperfectly competitive market situation or even as a bilateral monopoly (see for instance McConnell & Brue, 1989 and Stiglitz, 1993).

- Apart from the direct influence sphere of legal minimum wage determinations, their effective influence is very much wider as, for example, the unorganised and even formal levels of wage bargaining outside the bargaining council system are also strongly influenced — the so-called spill-over and threat effects (Kaufman, 1986:480).

ii The Wage Board System

A second centralised level of wage bargaining occurs in the case of the Wage Board (a statutory body enacted through the Wage Act of 1957, as amended). A work group has been appointed by the Minister of Labour to make recommendations on the restructuring of the Wage Board to be more representative and to review its scope in terms of economic activities falling within its jurisdiction. NEDLAC will consider these recommendations. The Minister of Labour can request the Wage Board, on the basis of requests by the parties concerned (employers or employees), to carry out investigations and make recommendations regarding wage and other labour matters in certain industries, areas or occupations. The jurisdiction of the Wage Board is applicable only to parties who are not subject to the formal collective bargaining process which falls under the LRA. The objectives of the Wage Act (1957) are the establishment of the Wage Board and the determination of minimum wages and other conditions of employment for workers who are not organised or not sufficiently organised to make effective use of the negotiating mechanisms provided by the LRA. In 1994 the Wage Board finalised its investigations into the following activities: Funeral Undertakings, certain areas; the Metal Containers and Allied Products Industry, certain areas; the Road Passenger Transportation Trade, certain areas; the Business Equipment Industry, certain areas; and the Commer-

cial Distributive Trade, certain areas (Department of Labour, 1994).

The minimum wage recommendations of the Wage Board are referred to the Minister for approval and consequent legal implementation (Nel and Van Rooyen, 1991: 121). The nature of the investigations by the Wage Board is such that it consults with all the various and affected employers and employees (or their representatives), but the process of free negotiations on wage matters is in practice suspended or affected. It is significant that the minimum wage determinations by the Wage Board are lower than comparable determinations by the industrial council system (NMC, 1992), whilst the latter's wage levels, especially that of unskilled employees, are higher than wage levels determined in industries which are not part of an industrial council (Roos, 1982:33). At the end of 1991, 28 wage determinations were in force and 76 exemptions had been granted.

iii Decentralised Wage Determination System

From Figure 1 it is obvious that the majority of employer/employee wage bargaining processes in the economy takes place on a "decentralised" basis, not directly related to the centralised nature of wage bargaining under the auspices of the bargaining council and Wage Board systems. The interests of more than 10,9 million workers are here involved (i.e. about 80 per cent of the total EAP) of which about 1,5 million workers belong to trade unions. The total number of employers involved is about 135 000 or about 75 per cent of the total estimated number of establishments falling under the LRA. If it is assumed that the enterprises and workers in the agricultural sector and household service workers opt for this kind of wage bargaining, this "decentralised" level of wage bargaining will totally dominate in the economy. These workers have only recently been

included in the LRA and are presently busy organising their respective sectors. Seen against the background of the individuality attached to the employment relationship and the geographical distribution of their activities, workers will most probably bargain with employers on a decentralised basis.

A typical characteristic of this level of wage bargaining is that the wage negotiations between employers and employees are conducted on an industry or enterprise level. However, some industries (e.g. the mining sector) do their negotiations outside the bargaining council system, but show strong similarities with the centralised collective bargaining system. Some of the collective bargaining activities take place according to the requirements of the LRA which implies that in any dispute that may arise, the formal dispute settlement machinery can be utilised, such as the statutory board system, the CCMA and the Labour Court. Many of the agreements reached on this level, are captured in so-called formal private recognition agreements (Nel and Van Rooyen, 1991: 110). This kind of agreement (contract) has only common law power as is the case with any individual employment contract. Most of these agreements are concluded on a voluntary basis, and exit from and entry into such an agreement are basically free from any obstacles. In recent years the formation of voluntarily workers' groups on the factory floor (i.e. works committees and councils) have expanded quite rapidly and they are recognised by employers as worker mouth-pieces in negotiations (Nel and Van Rooyen, 1991:11-6), and in terms of the new LRA will be replaced by workplace forums.

The diverse nature of collective and individual bargaining that take place on this level are strongly influenced by the wage determinations of the bargaining council system — the so-called spill-over and threat effects (McConnell and Brue, 1989:238). This is especially the case where trade unions

bargain individually with employers and these effects can be both positive (mainly for workers) and negative (mainly for employers).

In terms of the general wage bargaining processes in South Africa, two additional and general principles should be high-lighted. Firstly, the LRA of 1995 accepts and promotes the principle of creating participatory mechanisms between workers and management i.e. to create a structure whereby meaningful and continuous dialogue between labour and management could be effected. South Africa's re-entry to international markets and the greater volume of international competition it brings with it, require that labour and management move away from the adversarial industrial relations of the past to the establishment of co-operative and co-determination industrial relations. To this end, for example, workplace forums are the statutory mechanism to effect these objectives. This whole approach towards industrial relations, naturally, will also affect the wage bargaining processes in the country. Secondly, the LRA recognises the importance of small business enterprises in the economy and the LRA specifically accommodated the various conditions and needs of these enterprises. For example, the procedures for unfair dismissals have been simplified, representation on bargaining councils, speedy procedures to consider exemptions, the establishment of workplace forums in enterprises which employ more than 100 workers, are all measures to protect and promote the interests of small businesses. More than 90 per cent of all private business enterprises in South Africa can be classified as small or medium-sized businesses (BEPA, 1-1993) and this fact have important implications for wage determinations in these businesses.

The above description of the basic structures, processes and levels of wage bargaining in South Africa have numerous economic implications especially with regard to growth,

development, unemployment and poverty problems that are presently prevailing in the country. It is, however, clear that the determination of minimum wages has a pervasive influence on wage structures and changes. It will thus be worthwhile to consider the main theoretical debates concerning the influence of minimum wages on remuneration and employment levels under competitive and non-competitive market conditions. In section 3.3 the major trends in nominal and real wages and minimum wage levels in South Africa have already been discussed.

VI Minimum Wages and Market Structures

Judged in terms of the traditional, basically competitive market model, it is clear from the above discussion, that the processes of wage bargaining in South Africa are far removed from it and the situation rather points to non competitive conditions in respect of wage bargaining (see also Steenkamp, 1983:64). For example, there are different levels of cooperation on both the demand and the supply sides of labour markets, determination of legally enforceable minimum wage levels, direct intervention by the government in the wage bargaining processes, restrictions on the voluntary entry into and exit from official wage determinations or agreements, restrictions on the mobility of parties within the market, a vast lack of market information, a strongly heterogeneous labour force and an unequal distribution of market power between and within demand and supply groupings. These factors cause the effective functioning and the allocative mechanism of labour markets to be under heavy pressure and/or to be deficient.

It is known from the literature that the effective functioning of the basic competitive market model produces no permanent surplus or shortage situations (see for e.g. Stiglitz,

1993:369). Competition between market participants ensures that the welfare of society is optimised and that both demanders and suppliers maximise their aims. The implementation of minimum wages in this instance will lead to a decrease in the level and growth of employment under both static and dynamic conditions. In this regard, the elasticities of labour demand and supply will explicitly determine the extent of the change in employment levels. For example, a relatively elastic demand and inelastic supply short-term situation, would produce a relatively large decrease in employment and a large excess labour supply or unemployment (see for example Ehrenberg and Smith, 1985:69).

A further important market outcome of the competitive model is the optimisation of individual and social welfare under conditions of market equilibrium. It is thus implied that labour resources, from the viewpoint of society, are allocated efficiently (McConnell and Brue, 1989:156). Any restriction or failure to comply with the competitive market requirements, would place the efficient functioning of the market mechanism under pressure and produce market outcomes that differ from these optimal positions. Although the basic competitive market model is rare or never prevalent in practice, it still remains a useful frame of reference to evaluate practical market conditions (such as in South Africa).

In contrast with the competitive market model, the model at the other extreme, namely, the monopolistic/monopsonistic model of the labour market, can be utilised as a framework. In this non-competitive market model there exist both relative and absolute market power positions on the demand and supply sides of both the product and labour markets. As is generally known from the literature, this model produces market outcomes that point to the inefficient nature of the functioning of the market mechanism, for example, as measured in terms of wage and employment levels (Stiglitz,

1993:517). On the other hand, it can be argued that the distortion of the market mechanism and its results, due to the existence of market powers, can be neutralised (fully or partially) if the government should intervene through, for example, minimum wage legislation. The aim of government in this case will be primarily to restore or improve an unhealthy or distorted market power balance. In a purely monopsonistic labour market situation, the implementation of legal minimum wages can increase employment, wages and social welfare, although it does not represent a socially optimal position. Depending on the level of minimum wages, this market situation will result in shortage and surplus labour positions. The implementation of such minimum wages has, however, limits within which employment levels can be improved. For example, if the level of minimum wages is fixed at a higher level than the monopsonistic profit maximisation point (i.e. marginal revenue equals marginal labour cost), employment, and naturally social welfare too will decrease with a concomitant increase in unemployment (Kaufman, 1986:232). Freeman (1986:95) found in the USA that the higher wage premiums that trade unions negotiated "... may raise managerial opposition more than it raises worker desires for unionisation", which also presents an explanation why trade unionisation showed a declining trend in the USA.

As was pointed out earlier in this study, there are many economic, institutional and sociological factors which influence the labour market process and outcomes, and the relative importance of these factors is set out by the various theories and assumptions on how the labour market works. In most cases the solutions are determined by the weight of empirical evidence. It must, however, be kept in mind that "... there is no one model or theory in labour economics that weaves these market, institutional, and sociological forces into an universally accepted theory of how the labour market works"

(Kaufman, 1986:31). It is however clear from the labour market outcomes in South Africa (for example, the massive structural unemployment situation and the positive real wage rate increases), that the capacity of the labour market to allocate our labour resources, is being seriously hampered by a number of factors. Furthermore, our labour market's flexibility and adaptability capacities to reflect and discount endogenous and external changes and shocks in society, are deficient in many respects. The main factors which influence the allocative capacity of our labour markets are the following:

- The extent and nature of market power in the labour and product markets.
- The nature of mobility of market participants.
- The heterogeneous nature of market participants.
- The availability, extent and quality of relevant market information.
- The socio-economic and political environment.
- Economic policy coordination.

All these and other aspects have been addressed in the RDP that was released as the official economic policy document of the new government in 1994. In the following section the aims, objectives and programmes of the RDP will be briefly discussed, especially as it relates to labour matters in South Africa (see also section 1.3).

VII The RDP and Labour Matters²

1 General Aims and Strategies of the RDP

The RDP, as has been accepted by Parliament, originated from a publication by the African National Congress (ANC, 1994), containing the original programme as well as its ideological base. The RDP White Paper, which was released in September 1994, outlines government strategy in respect of the implementation of the RDP and establishes a policy-making methodology. It also indicates how the entire non-government sector can participate in and contribute towards the realisation of the goals of the RDP.

The RDP presented as "an integrated, coherent socio-economic policy framework", to be developed into "an effective programme of government" (ANC, 1995), is based on six principles: it should be a people-driven process; there must be peace and security for all; there must be nation-building in order to eliminate the historical division of society into first and third world; reconstruction and development or growth and redistribution are linked processes and the people affected by the programme and policies must participate in the decision-making process.

The proposals, strategies and policy programmes contained in the RDP, are grouped into five major, interlinked policy programmes, namely: meeting basic needs; developing human resources; building the economy; democratising the state and society and implementing the RDP. Although each of these programmes has profound implications for the

2. This section is based on an article by De Wet, G.L. (1994). The RDP and a Structural Problem in the South African Economy. *The South African Journal of Economics*, Volume 62, No. 4, December.

economy, for purposes of this report we will emphasize the direct and indirect influences on labour matters. The salient features of each programmes will be briefly addressed below.³

i Meeting Basic Needs

On the premises that it is not merely a lack of income, but also the fact that an enormous proportion of basic needs are unmet, which determines poverty, a vision for alleviating poverty is set out. Basic needs will be addressed by means of job creation through a national public works programme; land reform through redistribution and restitution; provision of housing in such a way that within a reasonable time period all will enjoy protection from weather within a durable structure providing reasonable living space and privacy; provision of access to clean and safe water, adequate sanitation and refuse removal; electricity for all households (72 per cent by the year 2000); access to telecommunications for all; promotion of affordable public transport; environmental protection and control; ensuring basic nutrition to every person, within three years; upgrading of health care services to all (mental, physical and social) by restructuring these services; provision of basic welfare rights to all South Africans and the introduction of a national social security programme (RDP, 14-56).

Meeting basic needs successfully can improve productivity and form a basis for the large scale development of small-scale enterprises (BEPA, No 41;1987). The RDP has, thus, the potential of unleashing a vast reservoir of entrepreneurship in South Africa, which will certainly unlock the "creativity of our

3. See De Wet, G.L. (1994). *An economic assessment of the proposed RDP: Sound economics or not?* Presentations No. 9, Bureau for Economic policy and Analysis. University of Pretoria, September.

people" (ANC, 9). The provision of adequate shelter, healthy sanitary living conditions and all the other socio-economic needs of the people, will contribute substantially towards increased productivity and especially the motivation of individuals. Successful economic reconstruction and development will provide many entrepreneurial and employment opportunities .

ii Development of the Country's Human Resources

The RDP strongly emphasized that education and training should be available to all, "from cradle to grave" (RDP, 8), not only formally in schools or colleges, but in all areas of society. All children must undergo schooling for at least 10 years — from a pre-school perception year to the present standard 7, with no class exceeding 40 students. Arts and culture should be promoted so as to unlock "the creativity of our people" (RDP, 9). Illiteracy should be eradicated (RDP, 70) and a reading and learning culture promoted. Sport and recreation will be promoted and made accessible for all, young and old. Youth development must receive special attention (RDP, 58-74).

Broad development of human resources as envisaged by the RDP, is a key element in raising productivity and thus also employment. Developed economies are, amongst other things, characterised by high and sophisticated levels of education and training, low levels of illiteracy and high levels of individual creativity and cultural activity (O'Dowd, 1994).

iii Democratising the State and Society

Apart from introducing and maintaining a system of one-person-one-vote, the RDP envisages a system of ongoing, participatory democracy. All people will participate

in a wide variety of fora and institutions, from grass-roots level upwards, at community, local, sectoral, provincial and national level, in decision-making and in policy formulation (RDP, 199-135).

The envisaged, ongoing, participatory democracy of the RDP can become a powerful means to unlock creativity and deliver an increasing supply of goods and services, which will truly raise the general level of welfare, promote productivity, profitability, employment and international competitiveness.

iv Building the Economy

The RDP stresses the structural problems of the South African economy: the unequal pattern of income and wealth distribution; regional disparities; a manufacturing sector flourishing behind walls of protection, making "little contribution to foreign exchange earnings" but depending "to a very great extent on imported machinery and equipment paid out of foreign exchange earned by mineral exports" (RDP, 76); the present low level of capacity utilisation in manufacturing; a high degree of monopolisation and concentration of power throughout the economy; survival problems for small-scale and micro enterprises; repressive regulations; low productivity and wide-spread lack of skills; discrimination against women; inefficiency and high debt levels in many quarters of the agricultural sector and a shortage of land amongst black rural households; high levels of personal tax, a large budget deficit, balance of payments problems and capital flight. The RDP is highly suspicious, to say the least, of privatisation and commercialisation.

The RDP explicitly states that neither a "communist central planning system" nor an "unfettered free market system" will be able to solve the country's economic problems. The RDP believes, however, in a leading as well as an enabling role for

the state, which together with a thriving private sector and active involvement by all sectors of civil society, will lead to sustainable growth (RDP, 78-79). The "government must play a leading and enabling role in guiding the economy and the market toward reconstruction and development" (RDP, 80). There is a significant role for public sector investment to complement the role of the private sector and communities. The public sector may be increased in certain strategic areas through nationalisation, purchasing of shareholding in companies and the establishment of new public corporations. In other areas the public sector might be reduced. Transparent, participatory and accountable policy-making procedures in both public and private sectors are important (RDP, 80-81).

Regional, racial, gender and structural imbalances in the economy must be eliminated by linking reconstruction and development. Growth and redistribution must take place simultaneously. The RDP does not believe that the market will make such transformations on its own, so that it is here where the public sector will have to play a leading and enabling role. Rural and urban development must be fostered through all kinds of newly established structures, while any negative environmental impact of development measures must be minimised. The special position of women, constituting the majority of small-scale farmers in the rural areas, requires special attention (RDP, 81-87).

Industry, Trade and Commerce

The key goals are a substantial increase in net investment, especially in the manufacturing sector; job creation and the meeting of basic needs; promotion of technological capacity to ensure that industry is restructured in such a way that the country emerges as a significant exporter of manufactured goods. The competitive advantage already enjoyed by mining, mineral processing and chemical industries must be

expanded. Adjustments necessitated by the recently concluded GATT agreements, have to be facilitated, whilst the pain of adjustment must be reduced and shared out together with the promotion of efficiency. Forward and backward linkages must be strengthened between the burgeoning industries (mostly mineral based) and others. Anti-trust policies will deal with conglomerate control impeding the process (RDP, 87-89).

The Southern African region must be strengthened and our relationships with our neighbours restructured. The trade tariff structure must be simplified and protection reduced, while minimising potential disruption in doing so. Export incentive schemes must be more cost-effective and improve performance. No bias against small and medium-sized exporters may exist (RDP, 89-90).

Institutional reform must take place to ensure that government departments and parastatals contribute optimally to the execution of the RDP.

Commercialisation and privatisation must be reviewed and even reversed where such processes are not in the public interest. Forums are important negotiation structures. Greater accountability should be promoted (RDP, 90-91).

The RDP wants increased productive investment and especially more investment in research and development; cooperation between big corporations and small and micro enterprises; workplace democratisation and more flexible and open management styles. Strict anti-trust legislation must create a more competitive and dynamic business environment. Business ownership must be de-racialised through black economic empowerment (RDP, 92-93).

It is realised that stable, consistent and predictable policies are important if foreign investors are to be attracted. However, foreign investors should be treated on an equal basis with national ones. Workers must obtain greater participation in decision-making (RDP, 93) .

Micro, small and medium-sized enterprises, especially black-owned, must be promoted to form an integral part of the economy. New relationships between large, small and micro enterprises must be fostered in such a way that it does not harm the interests of labour. Financial institutions must be required to lend an increasing share of their assets to black-owned businesses. Zoning and licensing regulations discriminating against small enterprise must be scrapped. Women constitute the majority of informal workers so that their needs demand special attention. Science and technology should be promoted in a way which serves the interests of industry, trade and commerce and especially the small enterprise. Commerce and especially distribution must geographically be more balanced and accessible (RDP, 94-98).

Resource-based industries

Minerals belong to all the people. Mineral rights must therefore be returned to the democratic government. Ways must be sought to increase foreign exchange earnings through mineral exports. Minerals should also be sold to local industries at prices that will enhance the international competitiveness of the latter. Small-scale mining as well as greater participation by labour in large mining companies (worker-democracy) must be promoted. Anti-trust laws must be introduced to permit monitoring and control of mining, processing and marketing (RDP, 99-102).

The ownership base in agriculture should be expanded and small-scale agriculture promoted. Affordable food to meet basic needs must be delivered. However, food self-sufficiency is not a goal, since it may harm neighbouring states, better able to provide certain foods cheaply. Unnecessary controls and levies and unsustainable subsidies must be removed, so as to improve the performance of the commercial agricultural sector. Living and working conditions of farm workers must be improved (RDP, 102-104).

Fisheries policy should be aimed at improving the living conditions of coastal communities through greater access to marine resources. Raw timber materials should be processed locally, especially in the local pulp and paper industry, rather than be exported (RDP, 104-106).

The tourism industry should be restructured with an eye on both the local mass market and the overseas tourists, also in conjunction with our neighbours. The environmental impact of tourism development should, however, be closely scrutinized (RDP, 106-107).

Infrastructure

Infrastructure must be upgraded and integrated. Electricity must be available to all households and small and agricultural enterprises. Telecommunications must be brought closer to all its potential users. Basic infrastructural networks must remain within the public sector. A strong telecommunications manufacturing sector must be developed with a view also to exporting to Africa and other developing regions. A rapid and integrated road, rail, air and sea transportation network should be developed and upgraded (RDP, 107-110).

Reform of the financial sector

The handful of large financial institutions, linked closely to the dominant conglomerates, have the financial resources, but proved unable to serve most of the black community, especially women. These institutions must make more funds available to the deprived. The government, in consultation with the financial institutions, must set rules, regulations and criteria to ensure non-discrimination whatsoever. The Usury Act should be put in operation again. Where these measures do not provide credit for housing and other RDP-programmes, the government must provide financial support. Apart from this, new institutions, such as a housing and guarantee bank and community banks must be established. Pension and provident funds as well as insurance firms must be made more accountable to their members and contributors. The Reserve Bank must be insulated from interference, but be more accountable to the broader goals of development. Its board should be changed accordingly in order to serve society as a whole. It must get more resources and power to combat illegal capital flights. The government must discuss with wealth holders the harmful effects of capital flight to the economy (RDP, 110-113).

Labour

Worker rights must, by various means, be safeguarded and extended. Organised labour must be empowered to act as a strong force in reconstruction and development (RDP, 113-116).

Regional policy

Regional cooperation is important. The economic prosperity of the whole Southern African region must be promoted (RDP, 116-118).

Implementing the RDP

It is argued that South Africa's state system has become excessively complex, rendering it completely ineffective. It will be necessary to restructure this system if the RDP is to be successfully implemented. Tendencies to fragmentation of different government departments must be revised. Effective RDP structures will have to be established to ensure proper coordination and appropriate budgeting. All state departments and agencies will have to be reviewed as regards their functions and structures in order to assess their abilities and willingness to achieve the goals of the RDP. Programmes must be publicly-determined and structures of civil society drawn into the decision-making process. Performance auditing must be carried out soon and regularly. Proper allocation of tasks between national and provincial levels of government must take place. Collaborative, integrated planning and decision-making is necessary if the goals and objectives of the RDP are to be achieved. A proper, well-functioning development regulatory and legislative system is called for (RDP, 136-142).

Financing the RDP will come largely from redirected, rather than increased government expenditure. A five year fiscal plan will have to be devised. Secrecy in decision-making and implementation must make way for an open budgeting process. A Reconstruction Fund must be established. A stable macroeconomic policy environment is vital. The RDP must be financed in ways that preserve macroeconomic balances, especially avoiding inflation and balance-of-payments difficulties. Too high ratios of the budget deficit, borrowing and taxation to GNP need careful consideration. Foreign debt must be used only for those elements of the RDP that can enhance the country's ability to earn foreign exchange. The private sector, especially the financial sector, should lend assistance to the RDP-implementation (RDP, 142-146).

The RDP lends strong support to the notion that the expansion of the manufacturing sector and an increase in manufacturing exports must form important elements of a South African growth and development strategy (see also BEPA, 43:1988 and 48:1992). The RDP aims at many reforms which may stimulate the manufacturing industry. Improved international competitiveness in the manufacturing sector, which compliance to the GATT agreements will effect, would undoubtedly enhance exports.

The RDP also envisages a leading and enabling role for government in guiding the economy and the market, and a strong emphasis is placed on the promotion of competition in this regard. Furthermore, a more simplified import tariff structure, less protection and cost-effective export incentives is called for by the RDP. These, together with stable, consistent and predictable policies, also called for in the RDP, can lead to successful development and growth in the economy. According to the RDP, the competitive advantages enjoyed by South African industries must be intensified and exploited.

The government supports the formation of innovative financial institutions to assist in the process of mobilising savings and channelling them towards development needs, and as such will enhance production, employment and profitability with due recognition of sound borrowing and lending principles being followed. The RDP states that the functions of an independent central bank is to maintain monetary discipline leading to a low long-term rate of inflation.

Simplification of the state structure, de-fragmentation of government departments, proper co-ordination and appropriate budgeting together with performance auditing, constitute the pillars of RDP implementation. All these conform to a desired strategy for growth and development.

2 Economic Policy Considerations

The South African economy is characterised by a number of structural problems of which unemployment is the major one. The economic policy framework is geared towards the addressing of these problems and regenerating higher and more equitable economic growth. Employment creation is the central priority of the RDP, and part of the overall economic policy is to facilitate labour-intensive methods in the public sector through national public works programmes. This will be further underpinned through the promotion of small and medium-sized enterprises. The RDP recognises that labour market discriminatory practices have distorted collective bargaining processes and that the workforce are inadequately trained.

Amongst the economic goals and objectives of the RDP (1994), the following have a direct influence on labour matters:

- the creation of sustainable work opportunities and improving the labour absorption capacity of the economy;
- alleviation of poverty, low wages and extreme inequalities in wages and wealth generated by the apartheid system;
- developing the human resources capacity of all the citizens through massive education and training actions;
- democratising the economy and empowering, especially, the workers and their organisations;
- encouraging the broader participation of citizens in the decision-making processes;
- creation of productive employment opportunities at a living wage for all South Africans; and

- elimination of all forms of discrimination in society.

The government's policies recognise the importance of a market-oriented economy, and to achieve its economic objectives the government established NEDLAC as the major consultative (tri-partite) structure. The government's economic policy strategy includes the following interrelated areas:

- financial and monetary stability;
- establishment of an economic environment conducive to economic growth;
- greater outward orientation in terms of trade and industrial policies;
- restructuring and modernisation of human resource programmes;
- the restructuring of labour market institutions in order to facilitate effective and equitable collective bargaining.

Investment policies will be geared towards substantial public investments in all sectors of the economy with a view to alleviating poverty and promoting the attraction of foreign investment. Industrial policy is aimed at, amongst others, employment generation and development and to ensure international competitiveness. The trade policy will strive to also improve productivity and competitiveness through an export promotion policy and steady trade liberalisation. Competition policy will aim to open up the economy towards greater ownership participation and to ensure that it contributes to the proper functioning of the economy. Monetary and financial policy recognises the independence of the central bank and the main policy functions are to maintain the stability of the currency in the economy.

The efficiency of the delivery of welfare support in the form of pensions and disability grants will be improved and

will act decisively against corruption. In terms of the science and technology policy the government, in partnership with the private sector, will implement a programme to prioritise key performance areas, amending relevant legislation where necessary and establish linkages between the scientific/technical priorities and RDP objectives. The government in consultation with the industry and trade unions will establish a tourism policy to achieve growth in this sector as rapidly as possible. Public enterprises will be made more efficient to provide cheap and efficient services. Furthermore, the public service will be restructured to provide high quality services, and creating a broadly representative public service. This will be done through rationalisation, revision of existing legislation and regulations, affirmative action, expansion of training facilities and establishing sound industrial relations.

Since the inception of the new government of national unity, most of the above-mentioned economic policies have been addressed and/or are in the process of being restructured and implemented. Specifically, all the issues relating to labour matters have been incorporated into the new LRA (1995), which was discussed in the previous sections.

3 Labour Market, Human Development and Labour Relations

Throughout the RDP it is clear that high priority is given to economic growth strategies that must focus on the improvement of the labour absorption capacity. To this end all the economic policies, strategies and institutions have this central priority at heart. It is explicitly recognised that the functioning and efficiency of labour markets should be drastically improved. The general foundation for employment growth is a literate, numerate and healthy work force. The LRA incorporates all the aims of the RDP in this regard.

Specifically, labour policies are formulated to assist the most vulnerable among the unemployed (e.g. rural woman and the youth). The government will promote techniques such as skills audits and other means to enhance the effective operation of the labour market. Accredited training programmes will be established in the context of the National Qualifications Framework. The RDP will also safeguard and extend the gains that workers have already won, such as equal rights for all workers, the right to strike, the right to information and affirmative action policies. The government will protect the integrity of the collective bargaining system. Industrial democracy and the empowerment of workers will facilitate greater worker participation and decision-making in the workplace. National industrial bargaining forums have an important role, namely to negotiate industrial policy, training and education programmes, job placement and job creation programmes. New mechanisms will be instituted to facilitate the settlement of bargaining and other disputes through conciliation, mediation and arbitration. All these aims, objectives and programmes have been incorporated into the LRA of 1995.

VIII Prognoses

Since the dramatic political events in April 1994, the new South African government shifted its focus to economic issues. One of the most pervasive structural problems facing the society is that of massive unemployment. Unemployment in the society thus forms a focal point of the White Paper which outlines the government's strategy in respect of the implementation of the RDP, and establishes a policy-making methodology.

The RDP is in a certain sense a proliferation or documentation of the needs of the people of South Africa. However,

economically all these needs (or objectives of the RDP) cannot be met at the same time, simple due to the limited resources that are available. The RDP recognises this universal problem and states that "hard choices will have to be made" (RDP, 1994). The RDP states unequivocally that the government must play a leading and enabling role in guiding the economy and the market towards reconstruction and development (ANC, 1993). The RDP wishes to have structures and processes in place to direct all people, all resources and all activities towards achieving the RDP goals. The RDP does not propagate "pure communist central planning" and also not an "unfettered free market system" (RDP, 1994), but believes government together with a thriving private sector will produce sustainable growth.

The RDP spelt out in very general terms the restructuring and modernisation of labour market structures and processes, recognising the need to democratise the workplace and empower workers in the economy. All these broad objectives pertaining to labour matters were encapsulated in the fundamental revision of our labour relations legislation. In 1995 a new law, the LRA, was promulgated, and to a major extent gives effect to these goals contained in the RDP.

The major part of this report was devoted to the analysis and description of the main labour market outcomes and the reformed labour relations system. The Minister of Labour initiated a five-year plan to modernise the legal framework and institutions that govern the labour market, and the revision of all the laws pertaining to labour relations was the first step in this process. All the problems associated with the previous labour relations legislation were addressed in the LRA of 1995, e.g. the numerous labour laws, policy conflicts, fragmented statutory dispute-settling and collective bargaining structures, non-active workers participation, strikes, unfair dismissals, etc.

The main features of the LRA can be summarised as follows:

- A single statute that covers all sectors of society (i.e. public and private sectors) .
- A simplified registration system that complies with international standards.
- The statutory recognition and governing of the rights to the freedom of association.
- The establishment of statutory workplace forums and promotion of the right to information, consultation and joint decision-making.
- The right to strike and lock-out.
- The certification of the right in respect of unfair dismissal and the provision for cheap and effective mechanisms to settle disputes.
- The establishment of an independent statutory body with wide powers to promote conciliation, mediation and arbitration.
- The recognition of conciliation and arbitration as effective ways to settle disputes.
- The reform of labour courts to effect quick access to the courts.
- Specific provision for the needs and conditions of small business enterprises.

The RDP conforms to almost all the conditions which can produce sustained and equitable economic growth and development (BEPA, 1994). A recent study investigating the conditions in the newly industrialised countries, identified the following conditions (Harmse and De Wet, 1994): efficiency in production brought about by economic liberalisation, economic stability and a clearly defined, well directed and consistent domestic policy mix with overall fiscal restraint. This last condition entails an unyielding or hard policy stance on the

side of government in respect of its own economic and broad social programme.

Economic liberalisation entailed opening up the economy to international competition as a way to force domestic producers and workers to become more productive and competitive. It does not imply the absence of government policy. It does imply consistency and discipline, especially fiscal and monetary discipline. It entails steadfastness and efficiency in governmental economic policy within well-defined borders of government action. Development of human resources form a basic ingredient of such a well-defined, uncompromising, but disciplined policy package.

Likewise, the new LRA has the potential to lessen the adversarial labour relations between management and labour, and to establish joint decision-making and co-determination principles between the parties. Furthermore, the accent placed on voluntarism as a principle of underlying labour relations, the freedom of association condition and the quick and efficient envisaged mechanisms to settle disputes, would contribute to a more efficient operation of the labour market. Due recognition is also given to the extent and importance of small business enterprises in the economy in regard to the effects of the LRA on them. The LRA seeks to establish labour market stability and efficiency, primarily to address the massive unemployment problem, and also to protect and enhance South Africa's international competitiveness .

Overall the RDP and the LRA recognises the importance of the development of human resources, of competition, of monetary, fiscal and labour market discipline and stability and steadfastness in application. Should the RDP and the LRA become a programme of action for the government, while promoting competition as the disciplinary force for the market or private sector, leaving it to its own for the rest, they

possess all the potential to break the low equilibrium growth trap and propel South Africa into sustained, high growth and development (BEPA, 1994) .

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