



Taking decent work forward

A paper by the Public Servants Association (PSA)

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Introduction

Labour relations in South Africa have, in the recent past, been under severe strain. The relations between employers and employees have become highly polarised, with work stoppages and intermittent violent strike actions omnipresent in all sectors of the economy. While the global economic recession may have fuelled the tension, the strife emanates from the onslaught by capital against workers' demand for decent work.

What, exactly, do workers mean by decent work? Encapsulated in the call for decent work is a demand for job security, a demand for better wages, reasonable working hours, social protection, safety, and sustainable livelihood. Meanwhile, capital's pursuit for outsourcing and casualization of jobs grossly undermine workers' demand for decent work.

In this paper the PSA demonstrates how outsourcing and casualization are incongruent with decent work. It is our view that decent work is crucial to attaining stability in the workplace; hence we add our voice to the calls to make decent work a reality.

Historical overview

The history of outsourcing and casualization is interconnected. It is a history rooted in the character of capital and its penultimate objective to maximise profit. Common in these practices is the exploitation of labour. With casualization being a bi-product of outsourcing, both these practices undermine workers demand for decent work.

It is impossible to grasp the concept of outsourcing without revisiting Adam Smith's theory of comparative advantage. In his magna opus, 'The Wealth of Nations', published in 1776, Smith defined comparative advantage as the ability of a party to produce a particular good or service at a lower marginal and opportunity cost over another.¹ This is the comparative advantage that companies look for when outsourcing to other companies or countries abroad. They employ this strategy to cut costs by hiring cheaper labour in less developed countries.

Since industrial revolution, companies have sought always to improve their competitiveness, sourcing materials from other companies for their own processing and manufacturing needs. This made capital to thrive as companies made business transactions with one another for the supply of goods and services. For example, it is now known that the development of rail in the 19th century depended heavily on outsourcing as "railway companies relied on steel manufacturers, component manufacturers and tool makers to develop the locomotives."²

Outsourcing grew in the 20th and 21st century as competition intensified with the emergence of globalisation and advancements in information technology. Many companies devised cost-saving measures to boost their competitiveness; identifying aspects of business that were not core business but critical to company's survival and outsourced these components to specialised companies.

Outsourcing has been used as a strategy by companies to compensate for the skills, expertise and material resources lacking in a company. It was resorted to out of demand for expertise. Thus companies would contract out major functions to specialized service providers. These providers could either be onshore or offshore companies.

History shows that the practice of procuring services, even from foreign nations, is not new. For example, when the Japanese started to modernize their economy after the 1868 revolution, they began to hire foreign technicians and engineers to set up their factory system and to teach native Japanese how to operate the high-tech equipment.³ Many countries and companies have used this strategy to their benefit, too.

The end of World War II in 1945 led to the opening up of global trade. The United States of America took advantage of this and began to develop trade relations with countries like Japan, importing large quantities of clothing from them. This was not considered as outsourcing since American companies were only importing rather than moving operations abroad. Outsourcing in the USA began in the 1960s when American companies began to contract Asian manufacturers to make clothing originally made in the USA.

This practice, commonly known as offshoring, exists to this day. The story of Apple a company based in the USA, is a perfect example of modern day outsourcing. Designed in the USA, Apple products viz. iPhone and iPad, are assembled in China. One of the many factories in China that assembles Apple products employs 230 000 workers, while only 43 000 Americans are employed by Apple in the whole of the United States.⁴ This is how outsourcing takes jobs offshore. The motivation has been low labour costs – a euphemism for cheap labour.

The period from 1980s to the end of the 20th century was marked by leaps in technological advancements in transportation, telecommunication and internet. Air travel became more accessible and reliable, wireless telecommunication was made possible and email was introduced. This also brought global trade to its peak. The advent of the worldwide internet and increased computing abilities that came about in the 1990s, made a lot of things possible. Suddenly, one could be based in New York and manage a fleet of factories and employees in a company based in Hong Kong; and be up to date with productivity data and sales.

It is for these reasons that outsourcing became a possible and thriving business strategy, growing from a \$1 billion per year industry in 1998 to \$298.5 billion in 2003.⁵

However, outsourcing begets casualization of jobs. Because some of the services that are outsourced are not permanently required by the outsourcing companies and that the duration of service level agreement is not permanent, usually the service provider employs his/her workers on short term basis. These workers have no job security, are paid meagre salaries and have no social protection benefits. In this way, outsourcing becomes a strategy through which companies absolve themselves of their responsibility toward the workers. This is how outsourcing and casualization are interconnected – bonded by the exploitation of the working class. It is no wonder therefore, that Cohen and Moodley observed that an increased reliance upon outsourcing and sub-contracting arrangements gave rise to the growing "casualization" of the labour market and an unregulated and insecure labour force in South Africa.⁶

Manifestations of outsourcing and casualization in South Africa

In South Africa, outsourcing and casualization manifest themselves in the form of tender system and labour brokering. These practices are prevalent in both the state and private sectors. While the tendering process may contribute positively towards the development of business and creation of jobs, in South Africa, the tendering process is a tainted affair.

The ills of the tender system

The word tender in South Africa has become infamous. It is associated with corruption and bribery. Much of corruption that is exposed in the public media is corruption within government. It is not surprising therefore that the word tender in South Africa is largely associated with corruption.

There is a lot of wastage in government outsourcing of services. In 2012, the Auditor General reported that R25 billion was wasted and uncounted for in government. By 2013, this amount had increased to R30.8 billion. This wastage happens through the procurement system of tenders. Reporting to Parliament in 2011, Willie Hofmeyer, then head of the Special Investigating Unit (SIU) told South Africa's Parliament that between R25-billion and R30-billion of government's annual procurement budget alone was lost to corruption, incompetence and negligence.⁷

Although a lot of money is spent on these tenders, the workers get the smallest share. The 2010 Fifa World Cup is a perfect example. During the construction of the 2010 World Cup stadia, workers embarked on a strike due to under payment.

Out of a single stadium costing over R4 billion, workers were paid R2 500 per month. While a few jobs were created out of these big tender projects, they were not sustainable. The employers were even prepared to get scab labour to substitute for the workers engaged in the strike. This is how the tender system is exploitative to the workers. The absence of mechanism and capacity to monitor compliance with labour laws, exacerbate this exploitation.

Outsourcing: in whose interest?

When companies outsource work, they are not goaded by a social motive to improve the conditions of the workers. It is all done for economic gain. As Adam Smith reminds us, "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest."⁸ Similarly, when companies outsource work, be it to foreign countries or local companies, their interest is to make profit.

Workers' interests are peripheral to the economic motives of outsourcing. Companies outsource to reduce and control operating costs, to improve their companies focus, free internal resources for other purposes or they outsource because they think a function is time-consuming to manage and therefore not profitable for them to do.⁹ Some outsource in order to avoid stringent employment regulations, high taxes, high energy costs, and costs associated with defined benefits in labour-union contracts and taxes for government-mandated benefits. Clearly, the interests of the workers are not among the reasons why companies resort to outsourcing.

At the centre of outsourcing is the exploitative character of capital and its desire to maximise profit at all cost. The casualty is the working class whose job security diminishes when companies look offshore. The workers in the recipient countries are not better off either; they are exploited as cheap labour and they too become victims of casualization. The movement of jobs offshore is not to create decent jobs in these emerging economies, rather is to suck the blood of the meek, whom out of their material conditions, are desperate and readily available to take any job just to survive.

Pitting the poor against each other

One of the dangers of outsourcing is that it pits the poor against each other. As Paul Krugman puts it outsourcing "pits one national workforce against another in an effort to lower firm costs and increase profits."¹⁰ The foreigners who come from neighbouring countries seeking economic refuge become the main source of cheap labour.

Because of their vulnerability and unfamiliarity with labour laws of the land, they accept meagre wages that are far below the regulated minimum wages, displacing the locals who cry for decent work. These foreigners are treated like slaves and the employer hires and fires as he pleases. When employers prefer cheap foreign labour over locals, inevitably they sow the seed of xenophobia. Foreigners become the target; locals venting their anger and frustration on them. Instead of seeing them as comrades and victims of the same exploitation, they begin to see them as a real threat to job security.

In a society where unemployment is as high as South Africa (24.5 %), where 17 million people or 30% of the population is dependent on state grants, the scramble for jobs is a reality. People become desperate as to take any kind of jobs while capital thrives on their exploitation. It is crucial and urgent that the so-called job creation strategies move from merely electioneering slogans to reality. Otherwise, without job creation, “decent work objectives are likely to remain solely aspirational.”¹¹

Labour brokers: shielding employers from responsibility

Casualization of labour – through labour brokering – has become a wide spread phenomenon in South African labour market, accounting for over 7% of the South African workforce.¹² According to Adcorp Employment Index, almost a million of the workers (998 000 employees) were employed by temporary employment agencies in 2011.

With labour’s failed bid to force government to ban labour brokers, it is possible that the numbers have increased. While permanent employment has been falling, temporary employment has been on the rise, confirming yet again that casualization is becoming wide spread. Since 2000, permanent employment has fallen from 11.0 million to 9.1 million workers, a decline of 1.9 million workers or 18.7% of the workforce.¹³ There are now 3.9 million temporary workers in South Africa accounting for 30.2% of total employment. Since 2000, the number of temporary workers has increased by 2.6 million workers.¹⁴

The increase in the number of temporary workers is clearly linked to labour brokering. More than 25% of all temporary workers are employed by labour brokers and they constitute 7.7% of the total workforce. This is an indication of the prevalence of this practice in South Africa’s labour market.

Reasons for the growth in this practice are varied. Adcorp attribute this growth to among others the global trend among companies to outsource non-core activities and that the management of production workers is increasingly being viewed as a non-core activity.

Thus employers prefer to outsource employment in order to shield themselves from taking responsibility for the wellbeing of the employees. They prefer the intermediary to deal with the trouble of aggrieved employees.

In this environment, the employer-employee relationship becomes blurred. The employer has no interest in knowing who his workers are, for as long as the work is done. In this practice, workers are like tools that can be rented and returned to the owners whenever the user has no more use for the tool. This is precisely why labour brokering is tantamount to slave trade.

As workers demand decent work, on their part, employers want labour flexibility. This flexibility is three pronged: employment flexibility, wage flexibility and functional flexibility.¹⁵ By employment flexibility employers mean the freedom unilaterally to determine the levels at which to employ people. In wage flexibility, they seek to alter wages without restraint. By functional flexibility they mean the freedom to alter work processes and conditions of employment at will.¹⁶ Essentially, they want deregulation in order for them to pay low wages; and to hire and fire workers as they please. This is what labour brokering seeks to achieve – the flexibility to hire and fire as one pleases!

Our position against labour brokering has always been clear. Labour brokers add no value and derive huge profits from the labour of employees who are prevented from receiving all the income that is due to them. The PSA sees this as a practice designed to shield the actual employers from the country's legal framework.

Government: pursuing indecent job creation?

What is the nature of hope which, when it is present in work, makes it worth doing? asked William Morris in his essay, useful work v useless toil. Morris asserts that for any work to be considered useful, it has to generate three hopes, viz. “the hope of rest, the hope of product and the hope of pleasure.”¹⁷ This means that workers must be assured of the prospects to have an opportunity to rest, to see the products of their labour, and to derive enjoyment from their long toil.¹⁸ The absence of these hopes in any work makes that work a useless toil.

Although Morris uses the conception of useful work versus useless toil, it seems clear that the concept of decent work is inherently imbedded in his conception of useful work. By rest, Morris underscored the right of every worker to a leave of absence from work. The hope of pleasure in Morris' treatise is the happiness that workers should derive from the work they do. Work cannot be pleasurable if the worker is disgruntled about his wage, safety, and social protection is not provided.

Neither can a worker derive pleasure in an environment where there is no job security, where he can be fired with no recourse. The hope of product implies the fulfilment that a worker derives from seeing the product of his work. All these are crucial aspects of condition of employment whose fulfilment serves the agenda for decent work.

The so-called job creation schemes by government are not helping to advance decent work agenda. Neither do they seem to promote the three hopes that Morris so eloquently described. From the Expanded Public Works Programme (EPWP), Youth Employment Accord to the Youth Incentive Scheme or the Youth Wage Subsidy, all these programmes undermine workers' demand for decent work.

Between 2004 and 2009, the EPWP is said to have created 500 000 new jobs. All of these jobs were short-term, poorly remunerated and without benefits. An EPWP worker works for an average of six months, earning a prescribed rate of R66.34 per day. This is R331 per week and R1 326 per month. Cases of earnings below the prescribed rate have been reported. For instance, in 2013, a newspaper report revealed that government was paying as less as R30 per day in some of the EPWP programme.¹⁹ Added to this is the fact that all these people have no access to medical or pension benefits.

The same goes for the Youth Accord which was only signed to placate organized labour's concerns over the youth wage subsidy. The youth accord suggest that brigades will be formed to engage the youth in such activities as clearing bushes alongside the roads, fencing roads, extending literacy in communities and maintenance of public infrastructure. Although the programme had yet to be implemented, it remains doubtful how the proposed jobs would provide basic skills transfer and improve the chances of full employment for the cadets involved.

The coming into effect of the Employment Tax Incentive Act has the potential to undermine workers' demand for decent work. This Act will see the introduction of a youth wage subsidy and will benefit labour brokers and business at the expense of labour. If government is not meticulous in its implementation and rigorous in ensuring compliance, the Act may have unintended consequences. Some of those consequences would be the burgeoning of a two tier labour system, the abuse of the scheme by employers and the replacement of existing workers by the newly subsidised workforce. As the ILO observed in its research, "wage subsidies lead to combined deadweight and substitution effects of the order of 70-90% of the number of jobs created."²⁰ Instead of creating new jobs, the scheme may end up recycling the existing jobs by replacing existing workers with subsidised employees. The people who are likely to benefit from this process will be the labour brokers and business.

Taking decent work forward

ILO: showing us the way

The ILO's view of work is broad and is not limited to economic benefit derived from income. According to the ILO, work has a social value and purpose. In addition to being a source of income, work is a source of personal dignity, family stability and peace in a community. It is not just an economic activity. It is central to people's well-being and paves the way for broader social and economic advancement, strengthening individuals, their families and communities.²¹ This conception of work is what we should promote here in South Africa.

Decent work is therefore defined as "productive work in which rights are protected, which generates an adequate income with adequate social protection. It also means sufficient work in the sense that all should have access to income earning opportunities. It marks the high road to economic and social development, a road in which employment, income and social protection can be achieved without compromising workers' rights and sound standards."²²

The ILO has done a lot of work to place the agenda of decent work on the global stage. While a lot of work remains to be done toward the achievement of decent work, placing it as part of the Millennium Development Goals helped to foster a common understanding and approach among the community of nations. This has facilitated the signing of various conventions that promote decent work by many countries around the world. Convention 131 on minimum wage, Convention 95 on Regular pay and protection, Convention 01 on compensation overtime, Convention 158 on termination of employment, Convention 189 on decent work for domestic workers and many others, are examples of ILO's unrelenting commitment to advance decent work.

The ILO has identified four objectives through which to promote decent work. These are job creation, guaranteeing rights at work, extending social protection and promoting social dialogue. Our efforts to promote decent work ought to be aligned to and guided by these objectives.

As the ILO suggest, the first step to decent work is job creation. There cannot be decent work if there are no jobs. However, these must be sustainable jobs that give the worker job security and stability.

The rights of workers should be recognised, protected and guaranteed. All workers, and in particular disadvantaged or poor workers, need representation, participation, and laws that protect their interests and shield them from exploitation. Such laws as governing the working hours, leave etc. are crucial to the agenda of decent work.

Social protection, for example, medical and pension benefits should be extended to all workers. Workers must be allowed adequate free time and rest, compensated adequately in case of lost or reduced income. Dialogue between employers and employees is very crucial; it helps minimise disputes at work. The pursuit of these four objectives is what will make decent work possible.

Bring jobs home

The challenge of unemployment is troubling many nations. Some, like America are devising strategies to address the impact of offshoring on local job creation. President Obama's bid for the Bring Jobs Home Act is an attempt to address this problem in the USA. Faced with such a high rate of unemployment, South Africa cannot ignore these developments. She, too, must develop her own strategies to induce business to bring jobs home.

South Africa is already considered a destination for offshoring in the Call Centre industry, hosting call centres for major companies like Lufthansa, Ambition 24, Budget Insurance, and Aerocorp. Our task is therefore to consolidate what we have while at the same time creating inducement for other sectors to develop interest. The inducements, however, should be balanced with a labour framework that protects the workers from exploitation. Tax incentives – not deregulation – should be used to induce foreign investment.

Build state capacity

It is crucial for the state to develop internal capacity to do its work. While government tendering process cannot be phased-out completely, it needs to be properly managed to reduce corruption and improve the quality of services provided to the state. The state must therefore develop internal capacity to initiate, monitor and evaluate projects so as to reduce over reliance on service providers.

Corruption in tender processing must be eradicated. While we support the intentions of government to establish a Tender Board, we would hasten to caution that without political will to curb corruption, the Board's success cannot be guaranteed. It is not the absence of institutions or legislation that hinders our victory over corruption; it is lack of political will to curb it.

On labour, building state capacity should entail the capacity to monitor compliance with labour law. It is not enough for government to prescribe sectoral determinations on pay and not ensure compliance. Now that the wage subsidy is underway, the capacity to monitor compliance with labour regulations cannot be over emphasised.

Ban labour brokers

The PSA believes that labour brokering is detrimental to decent work and should be phased out completely. Labour brokers are mere intermediaries who thrive on trading the skills of the aspirant employee. They take away the independence of an individual and make a worker beholden to them for the job he or she properly deserves. Beholden to the broker, the worker is treated like a tool that an employer can borrow and return to the beholder whenever his work is done. They shield employers away from responsibilities and promote noncompliance with labour laws. This practice is inhumane and should be banned.

Conclusion

What did Marikana workers die for? Why did the farmworkers in De Doorns go on strike? Why were public servants out in the streets in 2010? And why did the truck drivers block the roads in 2012? The Marikana workers were demanding better living conditions and better wages. The De Doorns farmworkers were paid R69 per day and were demanding R150 a day. The public service workers were demanding improved salaries and other terms and conditions of employment. The truck drivers, the security workers and many other strikes that we have witnessed in the last few years were a cry for decent work.

By outsourcing, casualization of work and using labour brokers, employers undermine workers demand for job security, better wages, reasonable working hours, social protection, safety, and sustainable livelihood. As we have demonstrated in this paper, these practices are incongruent with decent work and must be abandoned. Decent work is crucial to attaining stability in the workplace; hence we add our voice to the calls to make it a reality.

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