
POLITICS/INDUSTRIAL RELATIONS

Labour market reform – a compromise in the making?

CONCLUSION

Government's game plan on labour market reform is becoming clearer:

- Give some relief to employers; and
- Balance that (i.e. keep the unions in line) by regulating more assistance to retrenched workers and a low minimum wage for domestic workers – which will stop exploitation, without really affecting employment.

DEVELOPMENTS

The Labour vote was discussed in parliament on Tuesday and Wednesday and the minister:-

- Stated that there **is a need for more flexibility**. But he called upon business to table credible research *and specific proposals* on what had to be changed – not general statements on the need for more flexibility.
- Specifically referred to the **extension of agreements, overtime and Sunday work** as areas to be addressed.
- Declared that **retrenchments need to be regulated more tightly** by making retrenchment a topic to be *negotiated* with the unions.
- Declared that he wanted to set a **minimum wage for domestic servants** and farm workers.

PREVIOUS BoE FORECASTS

In our forecast on labour market reform, published in our report on I-Net on Monday, we forecast that:

- relief will be forthcoming i.r.o. two pieces of legislation: extension of agreements under the Labour Relations Act and relief i.r.o. the more onerous obligations of the Basic Conditions of Employment Act; and
- retrenchments might be more tightly regulated;
- but we did not forecast a minimum wage for domestic workers!

INTERPRETATION

1. Labour market reform is now squarely on the table. I am happy to forecast that changes favouring employers will occur – perhaps even before the election.
2. The quid quo pro will be some regulation of retrenchments in line with the social plan protocol already agreed at NEDLAC. The protocol will force employers to do a little more about the *consequences of retrenchment* (like re-training retrenchees); but it will not affect employers' right to retrench.
3. I do not expect *negotiation with unions* to become the regulation. That would be a radical departure from current labour law (and even ILO thinking) and would be a disastrous development. (The Business Day editorial comment today on this issue is really naive – replacing “consultation” with “negotiation” has far more serious implications than the newspaper lets on.) Government itself is about to embark on retrenchments in the civil service. Such an amendment will make civil service retrenchment almost impossible. Therefore, I am happy to forecast that this regulation will not occur.
4. Minimum wages for domestics will be set at a level aimed at stopping exploitation, without causing changes in the labour market. The minister has indicated *R500 p.m. for a full-time domestic* as the point below which exploitation, occurs. **The R1 300 p.m. demanded by the domestic workers union is certainly not going to happen.**

These development give credence to the forecast in our latest report, *Election '99 – Politics and restructuring* (dated 15 March 1999), on the political will to effect the structural reform SA needs. The report is available on I-Net and should reach you by mail this week.

(I am going to Europe and North America to visit emerging-market fund managers and will be back by April 8.)

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