

PRODUCTIVITY — 1993

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Data indicate 'mild recovery in progress'

81000 11/1/93
MANUFACTURING production volumes and vehicle sales from August could be indicators of mildly improving economic activity, Econometrix chief economist Azar Jammine said.

He said the recession could have bottomed in August in that economic growth was at its worst and that while the economy had continued to decline, deterioration was slower.

Manufacturing statistics supported this suggestion and year-on-year production growth improved in September to -3.2 points from August's -9.7. August volumes were affected by a steel engineering industry stayaway.

CSS statistics showed manufacturing production for the three months to October 1992 down 1.6% compared to the previous three months, but the seasonally adjusted index was 3.4% higher than for September 1992.

Largest contributors were "other chemical products", metal products,

paper products, electrical machinery and basic non-ferrous industries.

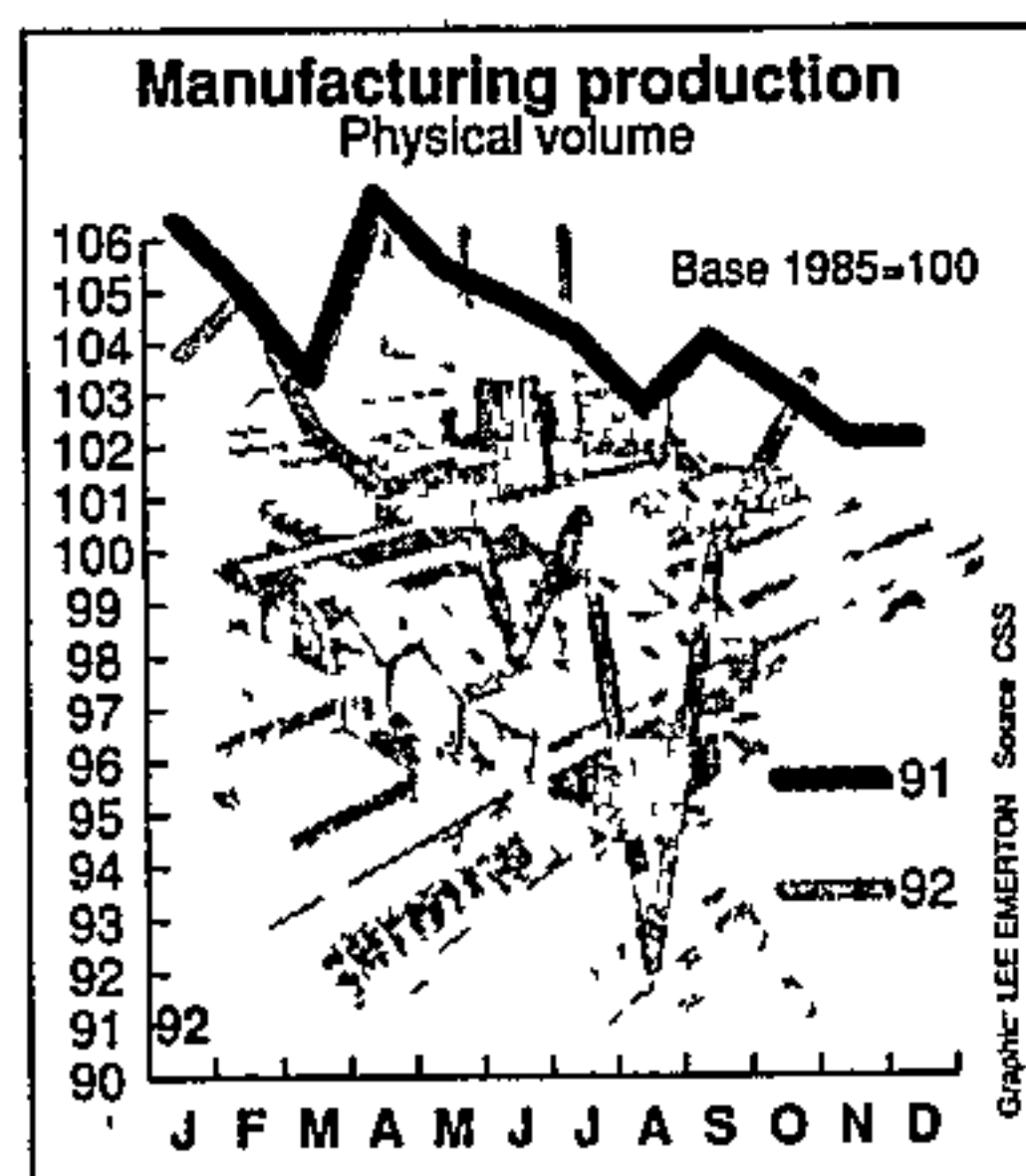
"Other chemicals" included products such as petroleum products, paints, inks, adhesives, explosives and pharmaceutical products.

Increased production was reported by 18 of the 27 manufacturing groups in October, and increases in value of unfulfilled orders were reported by 18 of the 30 selected subgroups. Total value of sales for October 1992 increased 5.9%, compared with September 1992 after seasonal adjustment. Main contributors were the motor vehicle, electrical machinery, "other chemicals" and paper product industries.

Jammine said November vehicle sales improved over the same month in 1991, while the 10% increase in car sales was the first positive year-on-year growth in this category for a month in almost two years.

The trend in the year-on-year growth for cars and commercial vehicles was at about -5% compared with about -12% in August. Economist Tony Twine said the upward trend appeared to have continued in December, with retailers reporting better than expected sales.

Jammine said the extent of the slump in the third quarter of 1992 implied that, barring political instability and major increases in indirect taxes, economic growth ought to be at least 2% in 1993 because the 1992 base against which the 1993 figures would be compared was so low.



Manufacturing output declines

The physical volume of manufacturing production in November 1992 contracted after a healthy increase in the previous month, figures released yesterday by the Central Statistical Services show.

5 PM 22/11/92
The index of the physical volume of manufacturing production in November decreased by 3,1 percent after seasonal adjustment from October.

Compared with November 1991, the index eased 1,4 percent.

The food, paper products, metal products and motor vehicle industries experienced the biggest fall off in volumes.

CSS said decreases in production were recorded in 18 of the 27 major manufacturing groups.

However, the change in the physical volume of manufacturing production in the three months to end-November 1992 was 5,1 percent higher than the three months to August. — Sapa.

Consumer spending 'will slide further'

REAL consumer spending was expected to decline further this year, and most retail categories could expect a difficult year, FNB's Retail Trends report for February said.

It said real consumer spending remained under pressure in the second half of 1992.

There may be "an upward blip" in the first quarter of the current year if there was "a surge of pre-tax-increase buying during March." But there would be a decline in the following quarter "as employment, wage and credit trends continue to exert downward pressure on real spending".

MARCIA KLEIN

Manufacturing production had also remained under pressure in the second half of 1992, and de-stocking was "especially marked during the third quarter" because of drought and industrial unrest.

Production capacity utilisation remained poor, and there was evidence of further job cuts.

"With the sales outlook remaining poor and real interest rates high, manufacturing production may not yet have hit the bottom."

Retail sales of non-durables had continued to decline in volume terms as disposable income de-

clined FNB said the next six to 12 months would probably remain difficult.

Arthur Andersen publication International Trends in Retailing said turnovers in SA had grown only marginally in real terms, and most retailers had seen a decrease in profit margins. There had also been signs of a decrease in consumer demand and output.

It said retailers could face difficult months ahead if they did not become more price competitive. Profits would have to come from improved internal efficiencies rather than higher sales volume.

Bureau of Market Research

statistics showed black South Africans now commanded the largest market share in food, beverage, footwear, clothing and television and radio sales, it said.

Retailers would be better positioned to take advantage of these opportunities "if the economy was more stable and change came at a more measured pace".

Stockbrokers Irish & Menell Rosenberg said sales were weak in January, and preliminary figures for February showed no improvement. But clients had said business conditions had improved in February compared with the previous month.

CHANGE OF OUR TRADING NAME

CIB's R50-million Bank guarantee

RESERVE Bank Governor Chris Stals says guarantees to Cape Investment Bank depositors could amount to about R50-million — more than half of which could be recovered when CIB's final liquidation comes through

The Reserve Bank agreed to compensate CIB depositors to the tune of R5-million each when CIB was placed in provisional liquidation "This is part of our function as lender of last resort. Every bank runs into liquidity problems at some point."

Reserves fall by R490m

GOLD and forex reserves fell R490-million or 5,6% in February after dropping R300-million in January

This dashes hopes of another cut in the bank rate as it gives the Reserve Bank little room to relax its monetary policy, says Nedcor chief economist Edward Osborn

The Reserve Bank sold 10% of its gold holdings in January, which Mr Osborn says is probably to finance debt repayments, part of which fell due in February. The balance is to be paid in August and December this year

3,2% more in revenue

REVENUE collected for the Exchequer during the first 10 months of the 1992/3 financial year reflects an increase of 3,2% compared with the corresponding 10 months of the previous financial year. The CSS reports that this amounts to only 74,3% of the 13,2% increase budgeted for

Office space

Productivity building plan

THE CSIR has launched a programme to help increase productivity in the depressed building and construction industries

The council says that for every 1% increase in productivity in the R8,2-billion industry, savings of R300 000 can be achieved each day

A new range of electronic information tools has been developed for the smallest to largest companies. Quantity surveyors, architects, engineers, contractors, manufacturers and suppliers of equipment will now have co-ordinated tools for increasing productivity and cost effectiveness.

Netsys wins major deal

PRETORIA-based communications specialists Netsys International has won a contract against five large international companies, including conglomerates from France and the US, to supply a R3-million SA-designed and built computer

Competition is the key

W/Mail 12/3-18/3/93.

Weekly Mail Reporter

THE Keys model not only insists on higher labour productivity — it is strongly critical of the lack of competition in South African business.

And the document recommends the final decision on matters brought before the Competition Board be taken out of the hands of the government and put before a "competition tribunal" backed up by a special competition appeals court.

"With regard to the structure of the market, economic concentration, mainly in the form of oligopolies, is a salient feature of the South African economy. These conglomerates are characterised by interlocking directorships and cross-shareholding."

The authors go on to say the existence of concentrations of power cannot be held solely responsible for the lack of effective competition. And they accept the argument that such concentrations could even be an advantage in international competition.

"However, this does not mean that concentrations of power are always in the interests of the community," say the authors. They can lead to uncompetitive behaviour like price determination not based on supply and demand.

Hence the structure and behaviour of the market should be monitored to see that restraints on the entry of new participants and illegal practices like horizontal price collusion should be eliminated.

Among other suggestions, the document

recommends:

- Price collusion, market sharing, maintenance of resale prices and collusion on tenders should be declared illegal in terms of the Competition Act, and the competition tribunal should be able to declare other forms of anti-competitive conduct illegal on an ad hoc basis.

- On all prospective acquisitions of a predetermined size, or which could lead to predetermined levels of concentration in specific markets, notice to the authorities should be compulsory.

- Acquisitions, restrictive practices, statutory rights and government concessions which could result in monopolies should be evaluated more critically without sacrificing efficiency.

- Company legislation and tax measures should not restrict competition between conglomerates.

- Higher fines for infringements should be considered.

The document balances calls for regulation with calls for deregulation to remove impediments to entering and participating in the market system. Deregulation, the document adds, does not apply solely to government departments but all government institutions. So decreasing tariff protection is also a form of deregulation.

Foreign competition is often the only source of competition in the small domestic market. The protection of local businesses through protective tariffs or surcharges should be guarded against.

(247)

Productivity key to economic plan

Star 12/13/93

THE new five-year economic model unveiled by Finance Minister Derek Keys, with its aim of a R51 billion surge in investment and the creation of 1,3 million new jobs, has put back on the agenda the issue of productivity.

Closer analysis shows that a cornerstone of the model is the emergence of a far stronger industrial sector. However, much still depends on winning the confidence of investors to finance expansions that, in turn, generate a bigger overall labour force.

The Normative Economic Model, as it has been named, seeks to spur a dramatic increase of no less than 80 percent in new investments in the manufacturing sectors between now and 1997.

The next question is how potential investors can be motivated. One of their first demands, quite reasonably, will be signals of radical improvements in productivity.

As protection walls are dismantled, vast improvements in the performance of many South African manufacturers will become crucial if they are to cope with competition from overseas rivals.

Until now much of the industrial sector has had the luxury of the protection offered by heavy taxes on imported goods. These taxes have, on average, climbed as high as 27 percent of value — 21 percent in tariffs, made worse by special import surcharges.

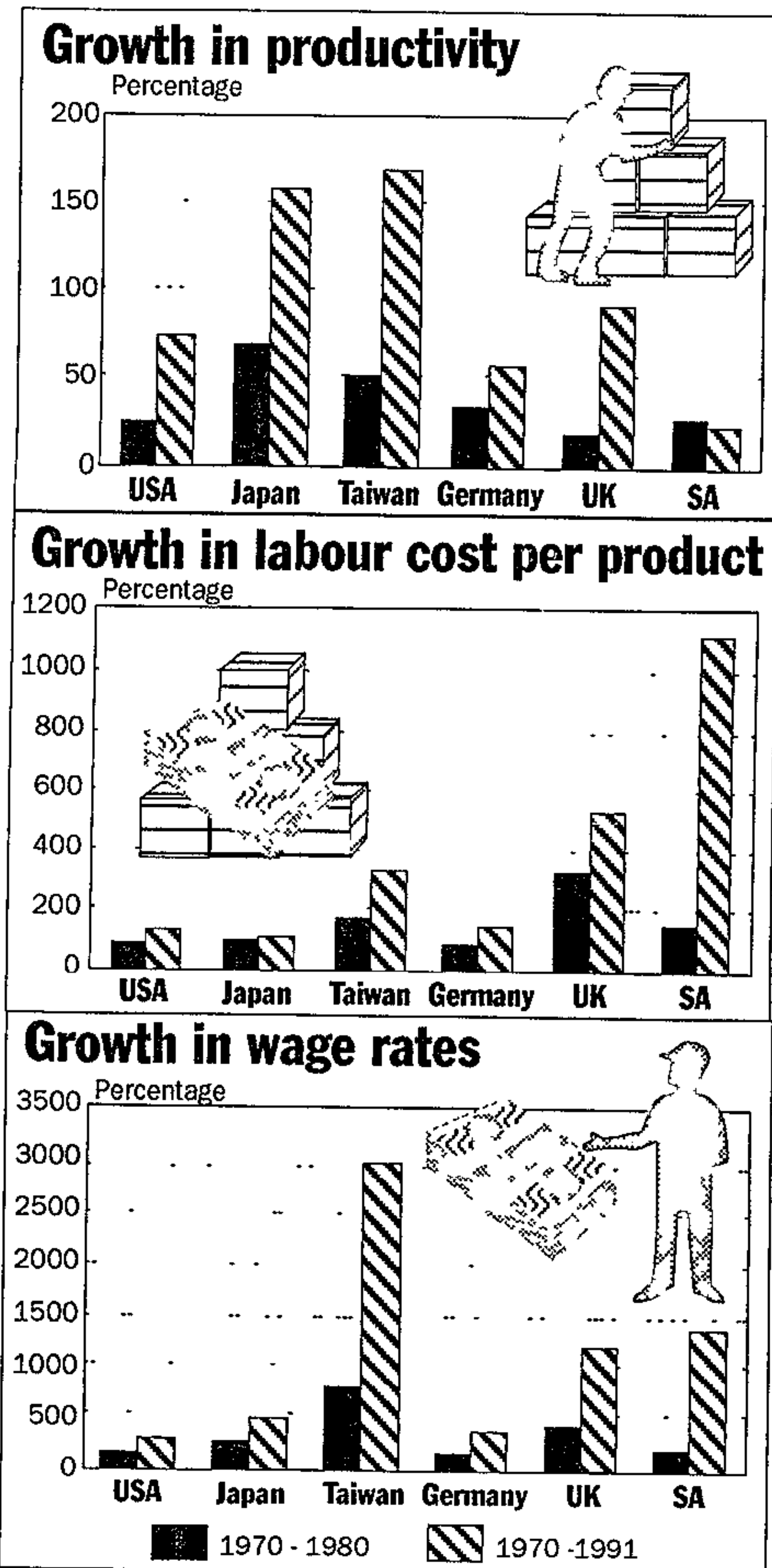
The new economic model envisages that the protection barriers will be removed in gradual stages, but the ultimate objective means several business sectors will have to begin to brace themselves. Comparing price tags is, eventually, the name of the game.

At the moment, export earnings equal no more than R10 of every R100 of goods coming off production lines. Keys wants the value of export shipments to be increased to R23 in every R100.

He has not been alone in following the ease with which producers — sheltered by various protective measures — have grown used to applying a silent system of inflation indexation when it has come to determining both wages and prices.

One simply follows the course of domestic inflation to match what has been happening to the consumer price index.

Goals set by the Finance Minister's new economic model mean a greater focus on productivity. This raises thorny issues, reports MICHAEL CHESTER.



Between 1961 and 1972, price increases were contained at a modest average of only 3,3 percent a year. The annual spiral jumped to 11,2 percent from 1973 to 1978, to 13,5 percent between 1979 and 1984 and 15,2 percent from the mid-1980s to last year.

As South Africa rejoins international players in the world trade, it also again falls under

rules laid down by trade policemen such as the General Agreement on Tariffs and Trade, as well as the guidelines of the International Monetary Fund.

Barriers to open competition in import/export trade, such as tariff protection on the one hand and excessive export incentive payments on the other, are usually regarded as a no-no. That, in turn, brings a warn-

ing from the National Institute of Productivity about what's been happening on the world scene while South Africa has been in isolation.

NPI economist Karin Liebenberg provides a few blunt reminders in the latest issue of Productivity SA. The accompanying graphics spell out the facts about how South Africa has fared in the past two decades when compared with those with whom it must now do battle globally.

What needs to be noted is South Africa's laggard performance in the growth of productivity — set alongside increases in the size of pay packets.

Here, of course, the process of trying to narrow the black/white pay gaps must be taken into account.

But, before all the blame is heaped on the unions, deeper analysis will show that equal if not more blame must be shouldered by the dismal performance of automation programmes. These were started by many employers as they turned to capital-intensive investment rather than labour-intensive schemes.

It was often seen as an escape route out of labour problems — or else a patchwork of devious schemes to win tax kick-backs. It all ended in a vicious circle.

Whatever the arguments, the result has been an escalation in the final measurement of labour costs per unit of production that leaves many South African companies with their backs to the wall in terms of full-scale international competition.

Fresh hopes of breaking the vicious circle have been provided by proposals in the new economic model that efforts should be made to contain average annual wage increases to within 1 percent above any current inflation rate — in fact to about 0,75 percent in real terms — unless increases can be justified by evidence of productivity performance ahead of new targets (0,9 percent).

The ultimate objective of matching pay packets to productivity is commendable — the promise of boosting the competitiveness of exports and also slamming the brakes on inflation in general.

However, employers should be reminded that the pace of productivity — productivity of capital as well as labour — falls squarely inside the responsibility of good management. □

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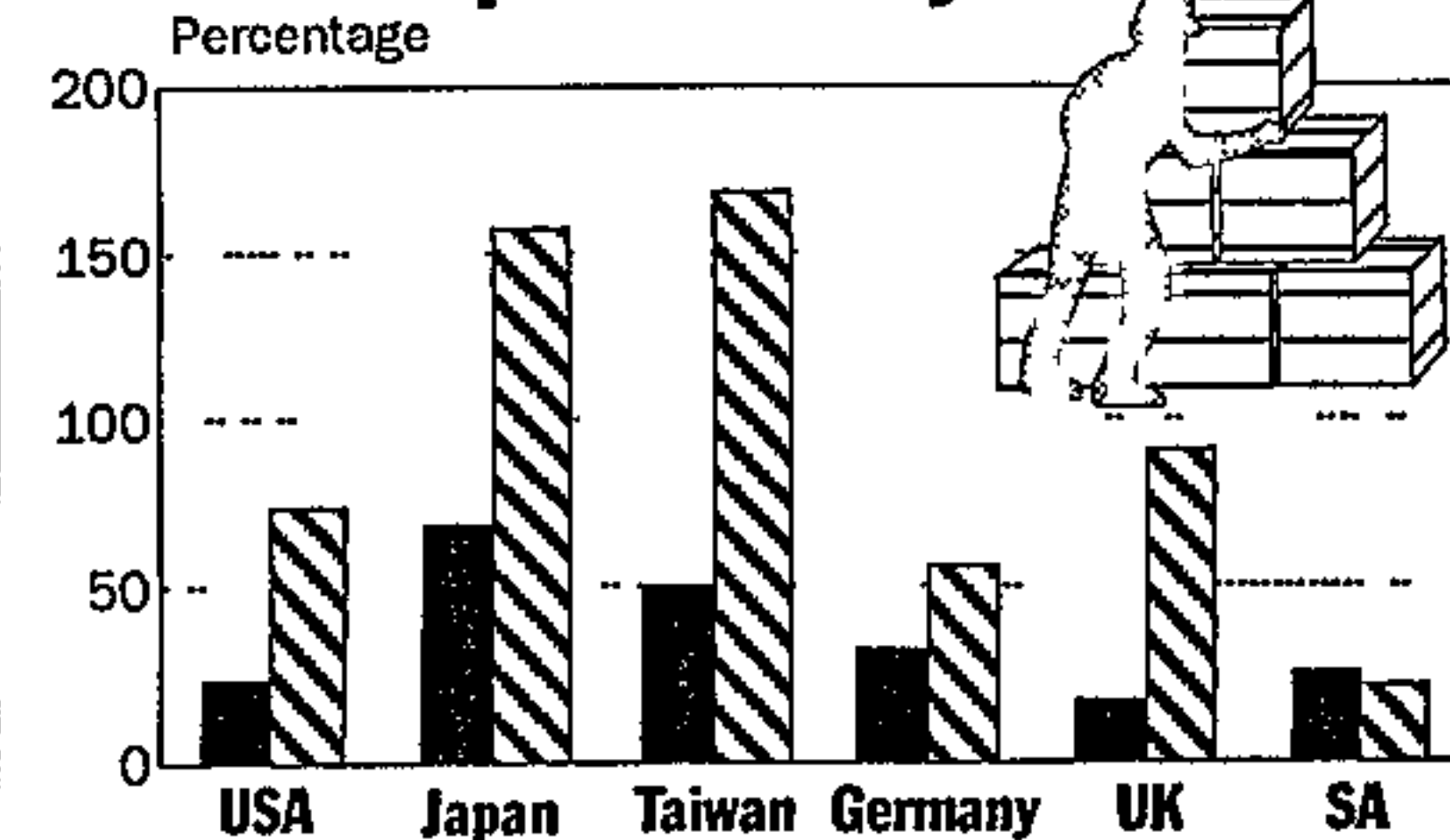
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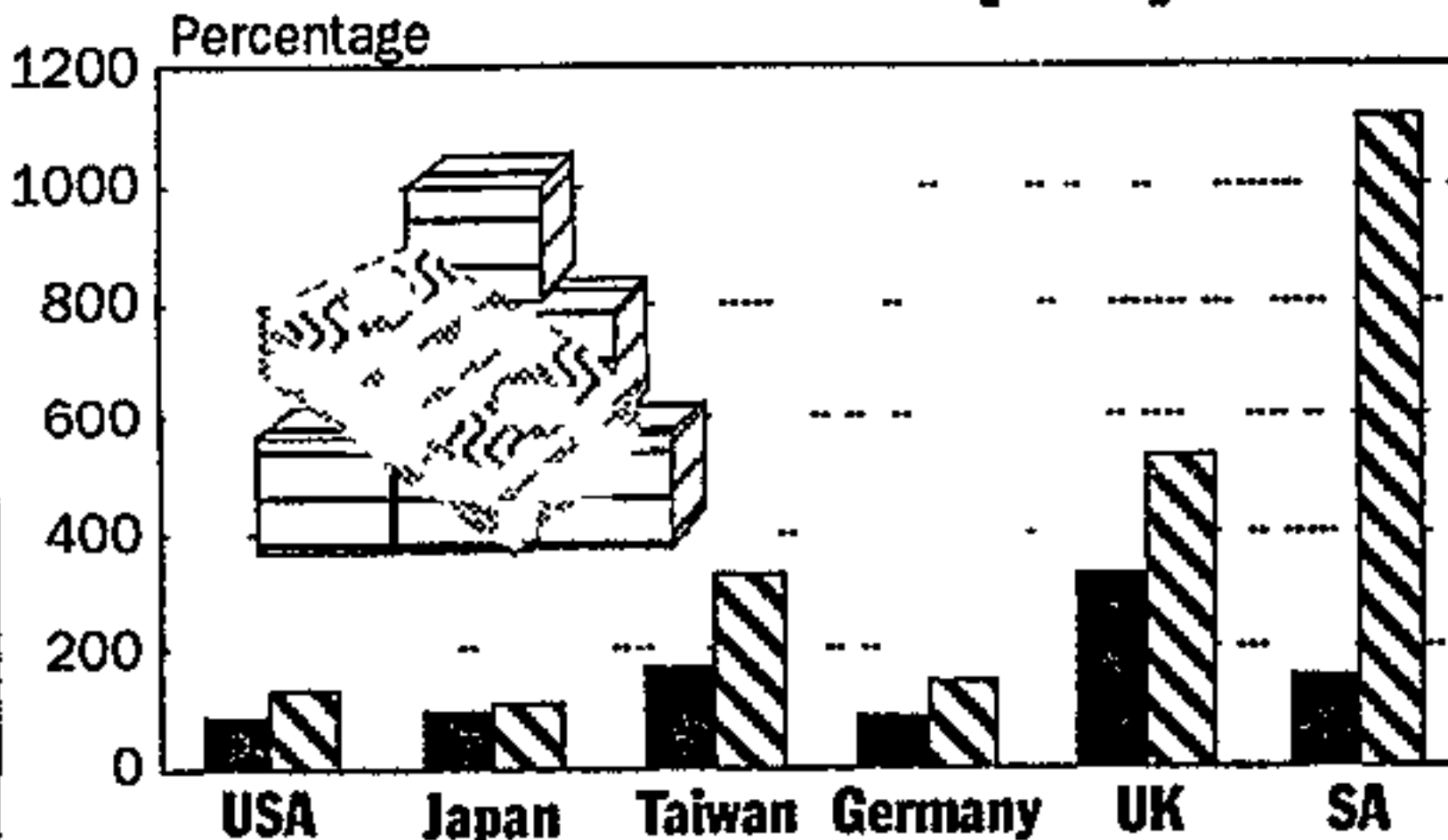
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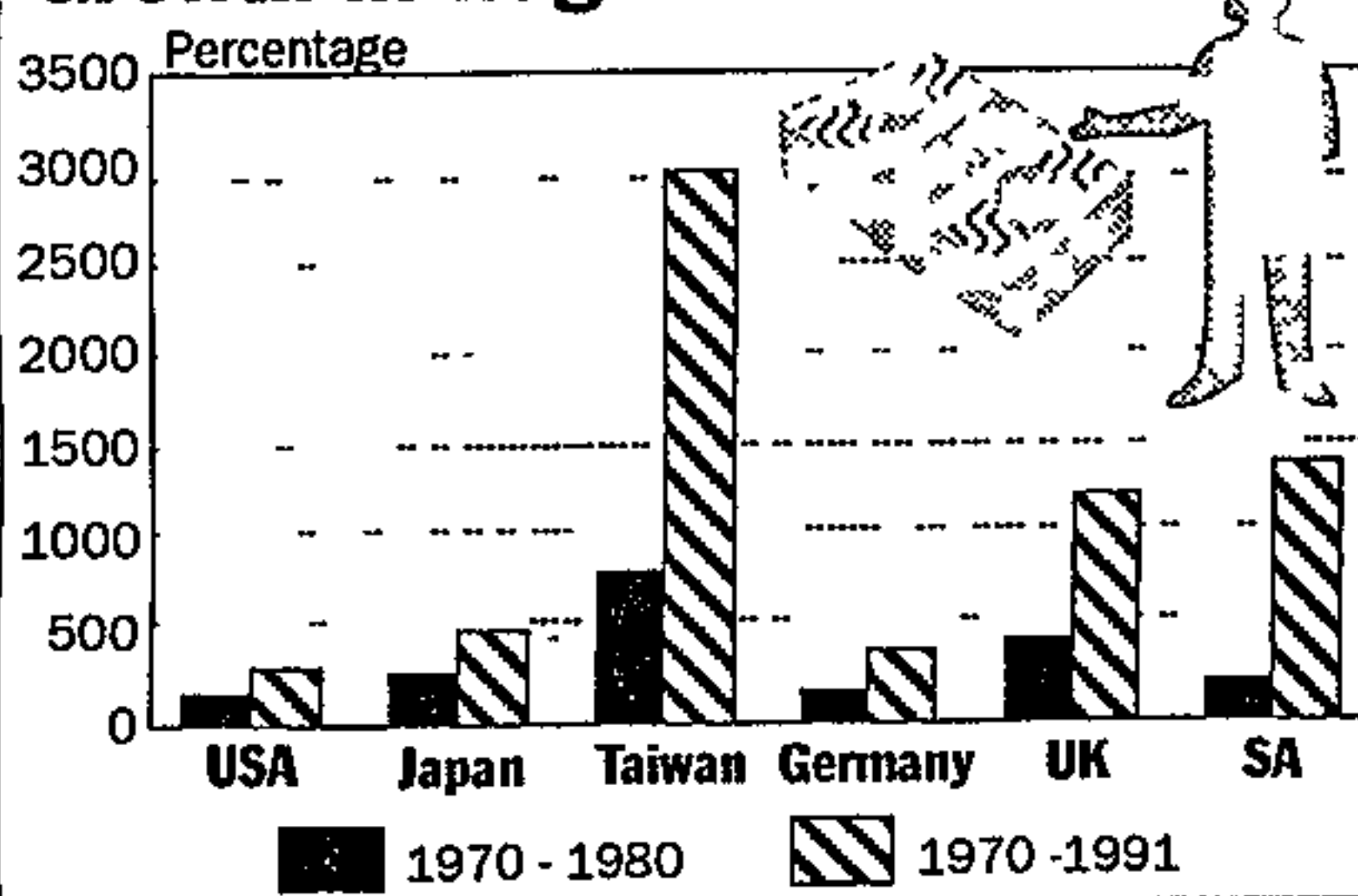
Growth in productivity



Growth in labour cost per product



Growth in wage rates



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Productivity is the key (247) 13/13/93

Professor P A BLACK

DEREK KEYS's normative economic model is to be welcomed partly because it has a certain theoretical appeal firstly, it assumes that sustained economic growth is a necessary condition for effecting a redistribution of wealth and addressing the poverty problem in this country, and, secondly, the model is based on the supposition that economic growth results not only from increased capital investment, but also from, an increase in the levels of capital and labour productivity.

Few economists would disagree with Keys's contention that an increase in the level of fixed investment requires a stable political environment, a competitive economy with low taxes, a more efficient public sector, a measure of wage restraint, and monetary, fiscal and exchange rate policies that reflect the underlying state of the macro-economy.

There is nothing untoward about

this set of conditions — tried and tested as they are — though it should be emphasised that they are really only a means towards the all-important end of providing jobs and income-earning opportunities to the poor.

But the real challenge lies in the need to boost productivity in the South African economy — an issue largely ignored in the summary version of the Keys report.

There is little doubt that an improvement in capital and labour productivity would require increased investment in the right kind of educational, training and re-training programmes and the adoption and adaptation of foreign technologies.

Since these technologies are bound to be of the capital using variety, it must be accepted that the creation of new job opportunities will have to come from an increase in the level of capital investment, with its attendant multiplier effects, rather than from a mere substitution of labour for capital.

Downturn soon at a 'turning point'

BIDAY 16/3/93.

(247) LINDA ENSOR

CAPE TOWN — The downturn in manufacturing activity could be reaching a turning point, with the bottoming out expected to continue during the second quarter, a survey by Stellenbosch University's Bureau for Economic Research (BER) found.

BER director Ockie Stuart said there were signs of a cyclical improvement in conditions, and business confidence among manufacturers had improved. He said that while conditions remained worse than a year ago, the rate of deterioration was bottoming out.

"The overall conditions caused the index of manufacturing confidence to increase from its previous all-time low of 12 points to reach 20 index points. In the past, sustained confidence changes led changes in the business cycle," Stuart said.

"There is, according to the survey results, ample evidence to justify a forecast of continued improvements in confidence."

However, the improvement in conditions did not stem the number of workers losing their jobs in the first quarter and retrenchments were likely to continue in the second quarter, the survey found.

The survey found that first-quarter sales were slightly better than expected and this had led to a relative improvement in the volume of goods produced, a trend forecast to continue during the second quarter.

Export performance was disappointing, but most of SA's trading partners were still in a recession. However, expected export sales for the second quarter were above those

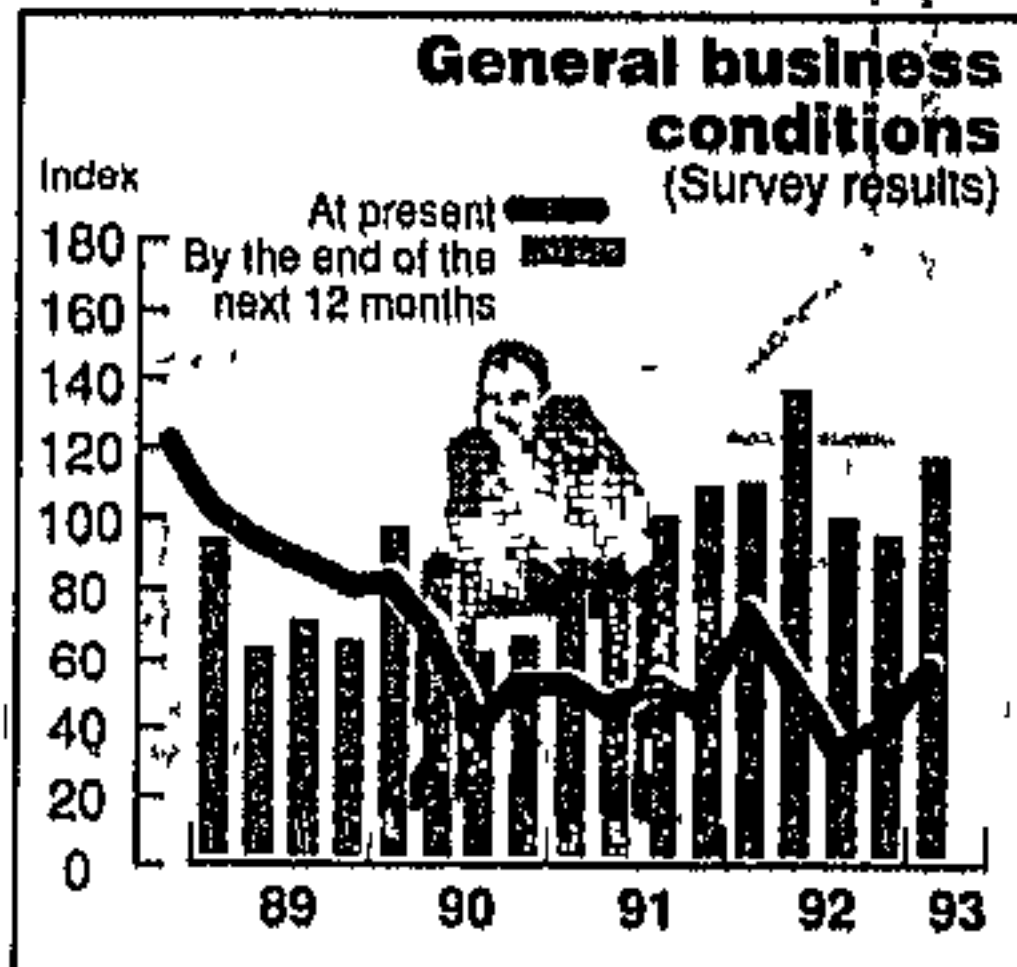
of a year ago and were forecast to be livelier than domestic demand.

Many producers reported stocks of raw materials were still too high relative to planned production, and the ratio of finished goods to expected domestic demand even worse.

The average selling price of goods sold on the domestic market increased at a faster rate than that of exported goods, and this trend was expected to continue. The declining trend in the rate of increase in domestic producer prices might be reversed in coming months.

Stuart expressed concern that the net majority of manufacturers surveyed did not plan to replace obsolete capital goods during the next 12 months because of the political climate, insufficient demand, the tax structure and the cost of credit.

Also, a fairly substantial percentage did not wish to add to their current capital stock. Stuart warned this policy could have "disastrous effects" on future growth.



Manufacturing not out of doldrums yet

B/P my 16/3/93

TRACY SCHNEIDER

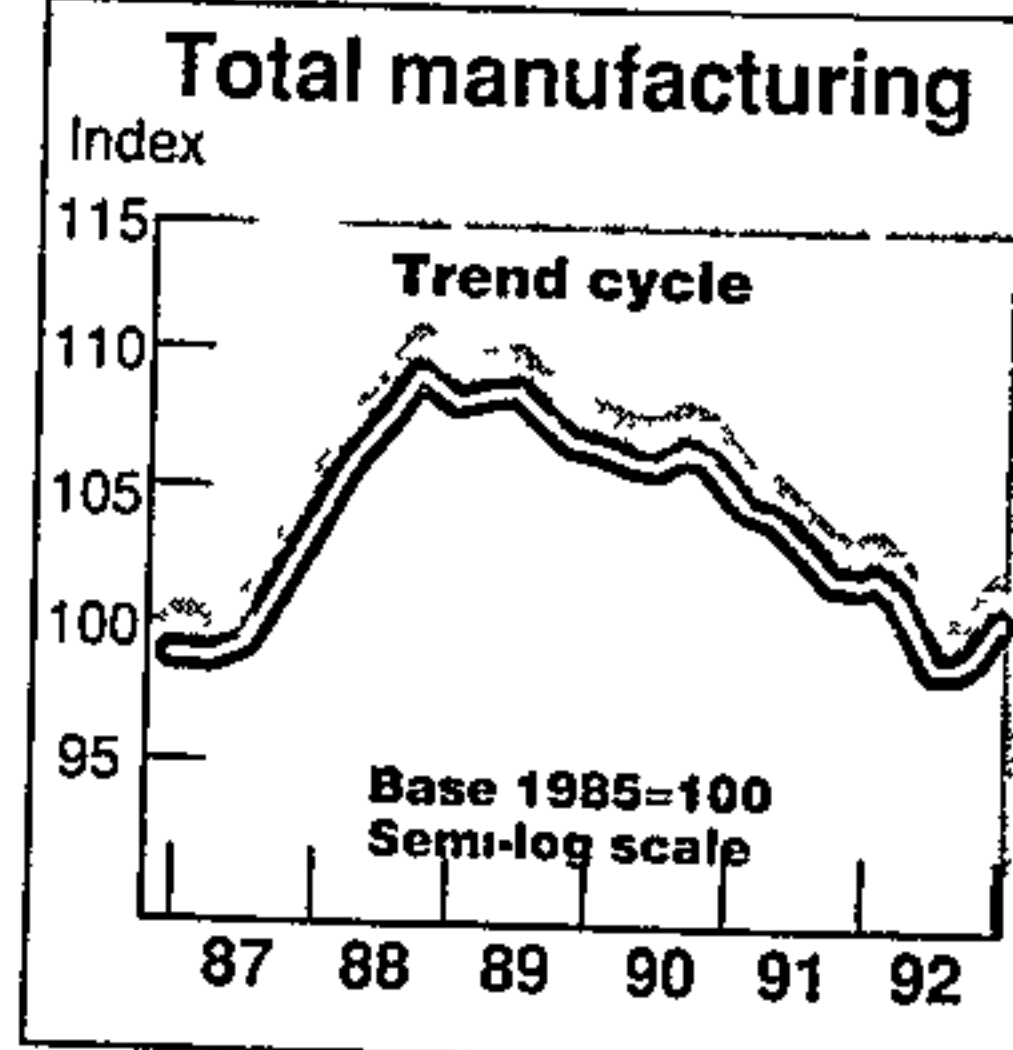
IMPROVEMENT in manufacturing production volumes for the fourth quarter of 1992 was unlikely to signal recession in this sector bottoming out, economists said yesterday.

Central Statistical Service (CSS) preliminary figures showed manufacturing production for the fourth quarter of last year improving 4.7% on the preceeding quarter's figures.

However, production was 0.5% lower than in the fourth quarter of 1991 and the total level of manufacturing production was down 3.0% on the previous year.

Economists said the rate of decline in manufacturing production might have slowed, but further falls should be expected. Credit Guarantee senior economist Luke Doig said. "We are reaching the lowest turning point, but will probably bump along at this level for some time."

SA Chamber of Business (Sacob)



Graphic LEE EMERTON Source CSS

economist Keith Lockwood said the upturn had been in line with confidence indicators in the manufacturing sector during the period, but the trend was expected to flatten in the absence of strong conditions necessary for recovery.

Econometrix economist Michell

Bester said manufacturing production would be adversely affected by weak final demand and poor inventory levels. A December uptick was distorted by August's poor volumes, mainly attributable to strike action and poor demand.

Manufacturing production for the fourth quarter of 1992 increased in line with a 1.9% real increase in retail sales in the third quarter. But Bester said a real decline in retail sales could be expected for the first half of 1993. The profitability ratio for manufacturing firms declined 1.53% in the third quarter of 1992 against year-earlier figures.

However, capex on new assets relative to turnover increased from 5.55% for the third quarter of 1991 to 6.46% a year later.

Only four major sectors showed increased production for 1992: other chemical products, plastic products, nonferrous metal products and professional and scientific instruments.

Stayaways cost economy dear

Star 15/4/93

247

Massive worker stayaways and social unrest pounded SA's already faltering economy yesterday as chaos gripped major urban centres and townships in the wake of the assassination of Communist Party chief Chris Hanu.

Lost production as a result of an almost complete stayaway in the key industrial areas of the PWV, Cape Town and Durban, combined with weakening foreign investor confidence in the country as a result of the violence, had hit the economy hard, economists said.

"The cost of the stayaways is estimated to amount to R500 million per day of production that is lost," Econometrix's Tony Twine said.

A South African Chamber of Business (Sacob) survey found worker absenteeism at 90 to 100 percent in Johannesburg, Pretoria, Cape Town and Port Elizabeth.

But, said Twine, the ultimate cost to the economy thanks to negative international sentiment and sliding domestic confidence was large and impossible to estimate.

Sacob director-general Raymond Parsons said the "disorder and chaos is definitely going to have a negative impact on business confidence".

There would be further downward momentum in economic activity and Sacob's monthly business confidence index would reverse from its recent firmer levels.

Although anti-apartheid leaders urged calm and restraint in commemorating the death of Hanu yesterday, shootings, looting and related unrest broke out in the central business districts of Durban, Pietermaritzburg and Cape Town. There were reports of deaths in townships.

"The damage done to confidence, and to real levels of production are historically bad enough.

"Somebody's got to get the

message home that acting irresponsibly doesn't just cost the economy now, but also leads to delays and even the cancellation of investment decisions.

"It puts limits on the economy to grow out of the dire position it's in now," Twine said.

Gross domestic product (GDP) shrank by two percent last year, on top of an average decline of just under one percent in the previous two years.

Economists expect there to be very little or no growth this year. Gross domestic fixed investment fell sharply in 1992, with real fixed capital stock marginally growing by half-a-percentage point.

"If this trend of low fixed investment is maintained, it could seriously impede the growth potential of the economy," the Reserve Bank warned in its March report.

Parsons said the impact yesterday's chaos and possible further violence in the next few days would have to be assessed after Hanu's burial on April 19.

"Hopefully, the violence will subside as quickly as it has arisen. Provided we can get over this situation, we can still look forward to something better in the economy later in the year as political negotiations make progress," he said.

"We still have a very resilient economy, although it's taking a tremendous battering at the moment," Parsons said.

Twine said political leaders would have to ensure their supporters' discipline and follow through with their determination for political negotiations to succeed if the country was to avoid an outflow of capital.

South Africa last year experienced a large outflow of capital as a result of socio-political unrest and the reluctance of domestic organisations to renew maturing debt because of the higher financing costs charged by risk-wary foreign borrowers.

— Sapa

80% stayaway costs R400m in lost GDP

ERICA JANKOWITZ

YESTERDAY's stayaway — described as the most comprehensive yet — ranged from zero to 100%, costing the country about R400m in potential lost production. Sacob estimated an average 80% stayaway nationwide, with organised business in Johannesburg, the East Rand, Port Elizabeth, Pretoria and Cape Town reporting 90% to 100% absenteeism.

Sacob attributed this mainly to transport problems, but some companies either did not open or closed early to give workers the opportunity to attend memorial services.

Yesterday was also a Muslim holiday, although this is unlikely to have had a marked effect on attendance figures.

In Natal, varied absenteeism levels were recorded by Sacob members with Durban at 60% to 80% and Maritzburg between 26% and 100%.

The SA Labour Bulletin conducted a survey of 44 Cosatu-organised employers in the PWV area showing, on average, a 91% stayaway.

Bulletin editor Karl von Holdt said the massive support shown for slain SACP leader Chris Ham was significant in that it was "an immediate response to a single event. In the past, stayaways have been used to commemorate resistance days or as part of national campaigns."

On the mines, Von Holdt said the NUM and Chamber of Mines had agreed to hold memorial services yesterday afternoon at all chamber affiliates. About 10 000 miners were reported to have heeded the stayaway call, mainly in the Rand Mines group where Durban Deep recorded a 100% stayaway and Duvha and Khuthala coal mines around 90%. GenGold's Winkelhaak and Anglo's Erigo reported 100% absenteeism.

A chamber spokesman said overall a 3,8% absenteeism rate had been recorded.

The major chain stores surveyed said normal trading hours were being kept but management and casuals were manning the tills in most stores. Pick 'n' Pay reported an average 90% stayaway, but only 6% in the western Cape.

A Barlows spokesman said on average

□ To Page 2

Stayaway

6/10/93 15/4/93.

companies in the group had coped with a 20% turnout of workers and some had closed for the day. This was not unexpected as most workers had applied for a day's leave, he said.

GRETA STEYN reports that economists said the potential loss in production as a result of the stayaway was about R400m.

AHI economist Nick Barnardt said SA's GDP was about R1,3bn a day, but about half of that would not be affected by the stayaway as sectors such as agriculture, services and government had not been affected.

Those sectors that had been hit by the stayaway would not suffer a complete loss of production. Further stayaways could have a noticeable impact on the GDP for the quarter, he said. However, he added that the loss in production could be made up by extra shifts in the next few days.

"The indirect effects on the economy because of confidence shocks are more worrying than the direct loss in production," he said.

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□ From Page 1

The unrest and uncertainty posed a serious threat to an already fragile balance of payments. The events were likely to accelerate the capital drain of the past few months. SA had already lost 75% of its foreign exchange reserves in the past 10 months and the economy would not be able to withstand further shocks, Barnardt said.

Another economist noted that a recent survey by the Bureau for Economic Research had found the political climate to be one of the main reasons why businesses did not plan on investing this year. The events of this week had aggravated this situation.

Nedbank chief economist Edward Osborn said it was difficult to quantify the direct loss in production, although the potential loss could be calculated on the basis of the daily output of sectors affected. The present low capacity utilisation meant the loss in production could easily be recovered. He added the events had dealt a "tremendous blow" to confidence.

● Comment: Page 8

April losses may top R2-bn mark

By Michael Chester

Losses in production and retail sales caused by stay-aways and holiday breaks in April threaten to climb well above R2 billion and mark the worst for any single month on record, according to economists.

"April will go down as a disaster month," said the SA Chamber of Business yesterday.

Sacob manpower executive Gerrie Bezuidenhout said production losses on Wednesday alone — when memorial services to mark the slaying of SA Communist Party general secretary Chris Hani overspilled into nationwide stayaways and mass marches — had been

particularly severe.

Production losses in key industrial hubs in and around Johannesburg and the East Rand had been the heaviest yet encountered, with absenteeism rates among black workers running as high as 90 to 100 percent.

The National Productivity Institute also issued reminders about the cost of the Easter weekend holiday break from April 9 to 12.

Senior economist Jan de Jager calculated the daily cost of losses in industrial output at between R420 million and R520 million.

The virtual standstill in factories over the long weekend thus stripped no less than R1,5 billion from overall economic income.

Yet to come, says Sacob, is the toll of losses that the retail trade was braced to suffer as the result of virtual business standstills during the mass protest marches expected in the Transvaal and perhaps elsewhere tomorrow in the wake of the Hani assassination.

Added to that must be estimates of losses in production and retail sales when nationwide stayaways looked inevitable next Monday to mark the Chris Hani funeral in Germiston.

SHOULD wage bargaining be centralised or decentralised? And should other issues — such as investment and pricing policies — be included in the bargaining process? Should government be involved?

These questions have been disputed in policy debates throughout the world, including in SA. Many contributions have focused on Sweden's "social corporatist" arrangements, and that country's relative success in preventing mass unemployment in the '70s and '80s. Such arrangements are thought to deliver improved economic performance by being able to produce different outcomes in the wage bargaining process than would otherwise occur.

Restraining money wages need not effect real wages, provided inflation falls fully in line. The difficulty is to ensure that a reduction in money wage increases does indeed result in inflation falling to the same degree, rather than feeding through into higher profits and allowing firms to continue using outdated equipment which would otherwise have had to be replaced.

However, a separate argument is that the growth of real wages should indeed be reduced. Workers, it is argued, price themselves out of jobs and restraining real wage growth would improve competitiveness, allowing increased production and hence increased employment.

But wages have a complex relationship with employment. In the short-term, wage restraint might encourage individual firms to take on more workers because their wage costs are lower. But low wage dependency has two long-term costs to the national economy. In the first place, it redistributes income towards the relatively better off who consume a higher proportion of imported goods, reducing demand and causing unemployment. In the second place, it eases pressure on firms to replace their outdated equipment and managerial methods, with the result that innovation slows down and international competitiveness is lost.

Wage policy hangs on competitiveness and productivity

Editor 16/4/93

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JONATHAN MICHIE

These problems could be tackled by a package of measures including labour market policies for centralised bargaining, which do not aim at reducing real wages.

In Britain, though, incomes policies in the past made it increasingly necessary for organised workers to make concessions on employment levels, working practices and other forms of job control in return for securing wages above the norms set by government policy. Such changes could be effectively achieved only at local level. At the same time, it was at the local level that wage bargaining was most effectively hidden from government surveillance. So, ironically, the imposition of centralised income policies itself led to a decentralisation of bargaining.

Incomes policies also had a detrimental effect on the institutionalised relationship between organised labour and government. Traditionally, the labour ministry and its successors had been the sponsors of good industrial relations and guarantors of effective and fair labour standards. From the early '60s onwards, the use by governments of wage councils and of the ministry's arbitration and conciliation machinery for the purpose of pay restraint brought about an erosion of its credit-

ability in the eyes of organised labour. The wider failure of incomes policies lay in their inability, over the longer term, to produce the circumstances for higher levels of investment and productivity. Separately from the claims that pay restraint is necessary in order to curb the "inflationary" tendencies of collective bargaining, incomes policies have at various times been advocated as a means of diverting resources from wages and consumption into investment for securing national competitive advantage.

In practice this did not happen in Britain in the '60s and '70s, largely because the private sector did not respond by increasing investment as expected. Instead it used the surpluses from wage restraint for other purposes, such as increases in dividends. The failure to put into place effective mechanisms for directing investment meant many of the potential economic gains of income policies were lost, and the "sacrifice" of lower wage growth wasted.

The Swedish strategy of solidaristic bargaining, on the other hand, involved, first, a restrictive fiscal policy designed to minimise the risk of demand-induced wage and price inflation and, second, the adoption through centralised wage bargaining of wage levels and employment standards observed by the more profitable and efficient enterprises in a given sector. Less efficient enterprises which were unable to pay the higher wages had then either to increase productivity or close down.

The third element was an active labour market policy, whose function was to compensate for the consequences of structural adjustments in the economy caused by the other two parts of the strategy, by encouraging training and job mobility for employees. Retraining programmes served to transfer labour from stagnating to prosperous industries and to reduce the danger of overheating from labour shortages.

Swedish "social corporatism" was, then, a force for structural change throughout the '50s and '60s, forcing the progressive modernisation of the economy through tight fiscal policies combined with rising national wages, forcing a high rate of economic scrapping but backed up by an active labour market policy to encourage the switching of labour to high productivity sectors. Thus the Swedish economy was well placed to

meet the global shocks of the '70s, and the operation of their "social corporatist" institutions resulted in low rates of unemployment compared with other OECD countries.

However, although the success of the Swedish model of economic regulation came to be demonstrated when faced with global pressures, it is in the face of further global integration that this system of regulation is now disintegrating. While this may appear paradoxical, it is perhaps not surprising that it is precisely when the system is called on to deliver in the face of adverse circumstances, requiring a redistribution of losses rather than gains, that the system should crack.

International experience has naturally varied tremendously, and reading from it lessons for SA would not be straightforward. Britain experimented with a number of labour market policies, but never succeeded in using centralised bargaining to force through modernisation, as happened in Sweden. Other countries varied their institutional arrangements in face of global changes, while in Sweden these are only now being faced.

Detailed work by SA's Macroeconomic Research Group has shown how Australia's social accord, for example, was launched as one component of an ambitious program of economic and social reform. But when the other elements in the reform programme faltered, the wages policy alone was left to bear the brunt, and suffered accordingly.

The key lesson from the experience of both Sweden and Britain, though, is that achieving full employment combined with low inflation requires improved productivity and competitiveness. The focus of any labour market policy should therefore be on how to force industries to match best practice through investment, and to ensure that the resulting productivity gains are passed on in reduced output prices.

□ **Michie teaches at the Institute of Management Studies at Cambridge University. He is visiting SA.**

'Economic destruction nearer'

WEDNESDAY's stayaway had pushed SA closer to the abyss of economic destruction, CP general secretary J A L Theron said yesterday.

Theron said in a statement the stayaway had cost the country millions of rands in lost production, and the accompanying violence, looting and destruction of property had resulted in disastrous consequences yet to be appreciated.

"The SA economy, already in tatters as a result of distorted 'affirmative action' and devastated by Cosatu strikes, communist redistribution of wealth, endemic state corruption and an overtaxed, punch-drunk white middle class, received a further push towards the abyss of economic destruction on April 14," Theron said.

He asked the people and parties of SA whether the new SA depicted on April 14 met with their approval.

Meanwhile, CP trade and industry spokesman Daan Nolte called on government to abandon its "experimental" reforms.

"The only solution, with special emphasis on the economy, is to create

LLOYD COUTTS

a political division between race groups with normal business activity to the advantage of all in SA and the greater southern Africa."

He said a total lack of confidence in the economy was reflected by the growing flight of capital as the new SA approached.

This flight of capital, he said, had increased dramatically in recent months, and net reserves for March alone had plummeted by R5bn.

"The price of the 'new SA' for foreign and local investors, especially on an economic level, is becoming clearer and less acceptable."

CP law and order spokesman D S Pienaar said he had conveyed the concerns of East Rand residents, fearing violence and damage to property during the Chris Ham funeral, to police headquarters.

"The CP warns government that it would be reckless to allow funeral arrangements without concurrent guarantees to interested parties that they will be protected," Pienaar said.

STAR 19/4/93.

(247)

Productivity conference postponed

The official caution by the US State Department to Americans travelling to South Africa close to the time of slain SACP leader Chris Hani's funeral has caused the postponement of a conference on productivity, quality and competitiveness, says conference project director John Marks of Effective Resource Development.

Scheduled to take place at the CSIR's Pretoria conference centre on April 26 and 27, the 1993 Business Strategy Conference has been moved to June 21 and 22 because some American speakers and other international delegates are unwilling to travel

to South Africa this month.

The speakers are among a contingent of seven of the world's leading experts on productivity, customer service and human resource development who have been invited to address SA's business and public service sector leaders.

"Now, more than at any time in our history, the captains of commerce, industry and government need to review their business processes and systems."

Among the international speakers are Dr James Harrington, president of the International Academy for Quality, John

Tschohl, president of the Service Quality Institute of America and Colin Gruar, senior operations executive at British-based National Westminster Bank.

The local panel includes Donald Masson, chairman of the SA Post Office, Dr Ben Vosloo, MD of the Small Business Development Corporation, Eric Tomlinson, general manager strategic marketing at Standard Bank, Dr Frans Barker, chairman of the National Manpower Commission and Cunningham Nguckana, general secretary of the National Council of Trade Unions — Sapa.

NEWS PWV worst hit by protest - 100 percent stayaway ● Silence reigns

By Mzimkulu Malunga

PRODUCTION came to a standstill throughout the country yesterday as thousands of workers stayed away from work in honour of slain SA Communist Party leader Mr Chris Han

According to employer organisations the PWV area was the worst hit by the protest. There was almost a 100 percent stayaway in the region.

More than 70 percent of workers in the Western Cape did not report for work. About 90 percent of employees in the Northern and Eastern Transvaal stayed away, while between 70 and 100 percent did not report for work in the Eastern Cape.

In the Durban-Maritzburg area the

Production stalls in SA

Thousands stay away to attend Han's funeral:

the stayaway was about 90 percent, while the smaller towns in the province reported good work attendance.

Manpower manager of the Afrikaanse Handelsinstituut Mr Mieke Dames said it was difficult to estimate how much employers lost in terms of production as a result of the stayaway.

Earlier, business organisations appealed to employers to treat workers' requests for permission to attend Han's funeral with sympathy.

"Where possible working hours could

be re-arranged to minimise loss of production," said a representative of the SA Chamber of Business, Mr Gerrie Bezuidenhout.

Sacob had given its members seven guidelines to apply.

Among them was the application of a "no work, no pay" system of flexibility when it came to disciplinary action. Preferably, said Bezuidenhout, such action against workers should be taken in instances of gross misconduct only.

Also, employers were advised to con-

tact local or regional peace committees for details of marches and memorial services while supporting measures to maintain law and order as well.

Unlike other stayaways such as over Value Added Tax, the AHI was more sympathetic towards yesterday's funeral.

The organisation had urged its members to make alternative arrangements with employees through their trade unions or directly in places where worker representative groups did not exist.

Star 21/4/93

SA productivity losses soaring

By Shirley Woodgate

The cost of lost productivity due to two stayaways in less than a week could soar to R2,4 billion — but even worse is the long-term effect, which could be felt as far as 1996, say experts from the Econometricus think-tank.

Claiming that events triggered by the assassination of SA Communist Party leader Chris Hani had set back

"timid but growing" business confidence, spokesman Tony Twine warned that while the country could ill afford to lose even one of its 250 annual production days, the result of shelved future investments was critical.

With the economy now held hostage by political developments, Twine doubled the number the country could recover financially within five to 10 years if threats of further rolling mass action materialised. "Unfortunately, every re-

newal after a crisis is left with a residual from the past and it will not take much of a shove to force the economy to its lowest point," he said.

As the country counts the cost of what the South African Chamber of Commerce (Sacob) has dubbed "a disaster month", the SA Labour Bulletin claimed Monday's stayaway figure in the PWV area — which accounts for 40 percent of the country's gross domestic product — was at an all-time high of 92 percent.

Bulletin editor Karl von Holdt said on Monday that he saw the first significant participation by miners since the defeat of the miners' strike in 1987, with 8,5 percent of those who stayed away acting without prior arrangements with mine bosses.

But Johannesburg Chamber of Commerce and Industry industrial relations general manager Adrian du Plessis said 8 percent out of 400 000 employees was relatively insignificant compared with the

size of the stayaway in the rest of the country.

A national survey by two of the country's largest organisations representing the formal business sector — the Afrikaanse Handelsinstituut and Sacob — showed varying figures for the number of workers who heeded the stayaway call, with the PWV the worst affected, Sapa reports.

In Durban, Pinetown and Maritzburg, the turnout reflected Wednesday's absenteeism with only about 12 percent of employees at work, but in northern Natal there was good work attendance.

The eastern Cape experienced a 70 to 100 percent stayaway and in the southern Cape, half the workforce was absent.

Towns in the northern and western Transvaal reported varying attendance figures of between 10 and 30 percent

Investors flee after stayaways

Sowetan 21/4/93
LONG-TERM EFFECT Mass action could set
the country's economy back until 1996:

Sowetan Correspondent

Lost productivity because of two stayaways in a week could cost R2,4 billion but even worse is the long-term effect which could be felt until 1996, Econometrix said yesterday.

Claiming events triggered by the assassination of SA Communist Party leader Chris Hani had set back to September last year "timid but growing" business confidence spokesman Mr Tony Twine warned that while the country could ill-afford to lose even one of its 250 annual production days, the result of shelved future investments was critical.

He doubted if the country could recover financially within five to 10 years if threats of further "rolling mass action" materialised.

As the country counted the cost of what the SA Chamber of Commerce has dubbed "a disaster month", the SA Labour Bulletin claimed that Monday's stayaway figure in the PWV was at an

all-time high of 92 percent.

Putco managing director Dr Jack Visser said damage to more than 500 buses which the bus company had put on the roads in the PWV in co-operation with the ANC, was "relatively mild" compared with previous years.

Most of the damage was to windows but in some cases commuters to and from South Park Cemetery where Hani was buried had taken out the windows and placed them safely on the floor, Visser said.

A national survey by two of the country's largest organisations representing the formal business sector, the Afrikaanse Handelsinstituut and the SA Chamber of Business, revealed varying figures for the number of workers who heeded the call for a stayaway, with the PWV, the Durban-Pinetown-Maritzburg areas of Natal and the Eastern Cape the worst affected.

Soccer City Trust, which administers the FNB Stadium, said it would send an inspection team to the stadium where 80 000 people packed the soccer ground.

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SA low on productivity

PRETORIA — SA's competitiveness and productivity were rated among the lowest of 14 newly industrialised countries, the Swiss-based International Institute for Management Development said recently.

Its report also found SA to be a forerunner in alcohol and drug abuse, divorce and road accidents. SA employees were not motivated and attitudes and values were not conducive to competitiveness and high productivity (247)

In the study SA was compared with 13 other newly industrialised countries, including Mexico, Singapore, Korea, Greece, Pakistan and Venezuela.

Factors looked at were science and technology, management quality, infrastructure, the role of government, human resource development and motivation — Sapa

indication of whether they are in fact going to play a role [Time expired]

*The MINISTER OF HOME AFFAIRS: Mr Charman, I believe the hon member for Groote Schuur made a positive contribution, and this also applies to the advantages she mentioned

I merely want to mention the fact that up to 60 000 ID documents are being issued by this department at this stage, and that soon this figure will increase to 90 000. This is proof that this department is doing everything it possibly can at the moment

*An HON MEMBER Per month?

*The MINISTER: I am talking about per week [Interjections] As a result, 85 % of possible voters already have those identity documents.

I want to suggest that in the context of Africa, in which it is calculated that 60 % is a very high percentage, this percentage is already a very good indication at this early stage of the thorough work that is being done by this department

As far as the election is concerned, detailed planning is already being done in regard to the number of ballot boxes that will be needed. The number is 7 700. I can tell hon members that thousands of ballot boxes have been and are being manufactured in preparation for this [Interjections]

I nevertheless believe that the hon member for Durban Central did have a point. I think it is important that we should reach a decision on the structure of these issues as soon as possible, and this should take place at the multiparty conference as soon as possible. If it does not take place at that conference, the Government will have to take the initiative

Debate concluded

QUESTIONS

†Indicates translated version

For oral reply

General Affairs

Knysna forest: elephants

*1 Mr J CHIOLE asked the Minister of Water Affairs:†

HOUSE OF ASSEMBLY

is a popular place of call and is traversed by walking and hiking trails. The events in the recent past when the actions of elephants resulted in loss of life have again drawn attention to this important aspect. Once the State has been exempted to its satisfaction from claims, the relocation programme can commence.

Factory production

2 Mr J CHIOLE asked the Minister of Home Affairs:†

(1) Whether the 6 to 9 period moving average of the physical volume of factory production is showing a downward trend; if so, (a) since what date and (b) what was the percentage decrease during the period 1 May 1989 up to and including 31 December 1992,

(2) whether he will make a statement on the matter? B592E

†The MINISTER OF HOME AFFAIRS

(1) (a) The 6 to 9 period moving averages of the physical volume of manufacturing production show a downward trend since approximately the end of 1988

With the official publication of the monthly physical volume of manufacturing production a 13 period weighted moving average, after the effect of seasonal variation has been eliminated, is calculated (the so-called Henderson curve). According to this data the volume of manufacturing production showed a decrease of 9,7 % from October 1988 through to July 1992, after which it increased by 1,8 %. Over the period October 1988 to December 1992 the decrease was 8,0 %

(b) 7,8 % (according to the aforementioned 13 period weighted moving average)

(2) No.

Criminal proceedings: open court

3 Mr A J LEON asked the Minister of Justice:†

(1) Whether he or his Department has received proposals from the South African

Law Commission on draft legislation relating to circumstances in which criminal proceedings may not take place in open court, if so,

(2) whether he intends introducing legislation to amend section 153 of the Criminal Procedure Act, 1977 (Act No 51 of 1977), with a view to giving effect to these proposals; if not, why not, if so, when,

(3) whether provision will be made in such legislation for an intermediary to act as a shield between court processes and child witnesses in respect of crimes relating to child abuse; if not, why not, if so, what provision,

(4) whether he will make a statement on the matter? B643E

†The MINISTER OF CORRECTIONAL SERVICES (for the Minister of Justice)

(Reply partially laid upon the Table with leave of House)

(1) Yes. In its Report on the Protection of Child Witnesses the South African Law Commission proposed that a new section (section 153A) be inserted in the Criminal Procedure Act, 1977 (Act 51 of 1977), to *inter alia* provide that—

(a) a child under the age of 18 years who testifies be assisted by an intermediary; and

(b) a child under the age of 18 years may give evidence elsewhere other than in an open court

(2) No. It is not intended to amend section 153 of the Criminal Procedure Act, 1977. The proposals of the South African Law Commission have already been effected in sections 1 to 3 of the Criminal Law Amendment Act, 1991 (Act 135 of 1991) which on account of technical reasons have not yet been put into operation

(3) Yes. Above-mentioned legislation already provides for this. Section 3 of the Criminal Law Amendment Act, 1991, inserts section 170A in the Criminal Procedure Act, 1977, whereof the relevant part determines as follows

HOUSE OF ASSEMBLY

Star 29/4/93

Jo'burg and Randburg slipping

By Jo-Anne Collinge

The Central Witwatersrand has shown a "precipitous" decline in the production of manufactured goods and in employment in that sector over the past 20 years according to a preliminary study commissioned by the Central Wits Metropolitan Chamber

The Central Witwatersrand — comprising Johannesburg and Randburg — "declined

more rapidly than other major urban centres" in relation to manufacturing, the report states

Between 1980 and 1991, the loss of manufacturing jobs ran to 39,5 percent in the Central Wits, as against 27,5 percent for the entire PWV

Overall, there has been a steady decline in the importance of the Central Witwatersrand as a contributor to national employment and production.

Authors, Dr Richard Tomlinson of the De-

velopment Bank of Southern Africa and Roland Hunter of the consulting group Planact, acknowledge that their findings sharply contradict widely held perceptions.

"It appears true that migrants from all over Southern Africa view the PWV as a preferred location. Politicians still see the Central Wits and the PWV as the 'golden goose' from which resources can be extracted for development elsewhere," they comment



51 Times [Ruiss] 2/5/93

Cosatu plan for productivity rise

By KEVIN DAVIE

WAGES are high and productivity low in South Africa in comparison with similar countries, says a major Cosatu-backed study of the economy.

The study — preliminary findings were released this week at the Aspen Institute-Idasa conference on SA's international economic relations — involved 25 to 30 man-years of effort.

It includes studies of most major SA business sectors, including cars, building materials, consumer durables, electronics, energy, food, garments, engineering, pulp and paper and mineral beneficiation.

The authors say reducing wages is not a solution to high production costs. They argue for improving productivity in association with a living wage.

To a considerable extent we believe this can be achieved by moving up the value chain and into downstream processing of SA's natural resources. We also believe that high product-

ivity can be attained by moving production into niches of high value added.

High wages and low productivity undermine SA's global competitiveness. The standard of living of SA's labour force is low and poverty, including those employed in the formal sector, is high.

Cheap (241)

The study suggests that energy costs in SA are too low. "Our sense is that, if anything, the price is too low, with deleterious effects and consequences for the environment."

It says Eskom has the third-lowest prices in the world, leading to energy-intensive production.

"SA has the highest share of manufacturing value added in energy-intensive sectors. "The adverse environmental consequences may well undermine competitiveness in other sectors". The study supports trade

liberalisation in some sectors. It says that wheat imports would slash the cost of bread and "since wheat farmers can apparently move relatively easily to the production of a substitute for soya in animal feed, the social economic costs of this change in trade policy would not be high".

The authors say they have identified technologies to increase labour absorption in the brick industry. They mention the price policy of the few firms that dominate the cement industry.

They say that their research determined that there is excess electricity capacity and that "the marginal cost of meeting basic needs will not be excessive".

Another area of criticism is the bias to primary industry. "Although SA is well endowed with many low-cost natural resources, in most cases these resource rents do not appear to be passed on to downstream processors".

Across the spectrum there is a pricing regimen which provides little incentive to add value to natural resources. "SA exports enough wood

chips to justify a new paper mill".

The study says "pulp has been priced for the domestic industry at the equivalent of landed costs".

Conglomeration is also criticised. "Our micro-level evidence suggest that key pillars of a competitive manufacturing sector are severely inhibited by existing market and ownership structures".

Directors

Steps envisaged to rectify the position include decentralising markets, monitoring dominant firms, delisting pyramids, stricter regulation of takeovers and mergers and disclosure regulations for company directors.

The report says it is important that the State plays a key role in defining the appropriate incentive structure. It should facilitate the growth of national, sectoral and regional capabilities.

It should also promote an effective institutional infrastructure.



Former South Korean premier Duck-Woo Nam at this week's international economic relations conference

Productivity awards contest takes off

THE South African construction industry has just launched its National Productivity and Quality Awards competition for 1993 in the wake of last year's successful inaugural effort

Closing date for the competition is 29 October, and entries are invited from civil engineering, building and manufacturing companies in the construction industry

The competition is also open to institutes, professional bodies, associations and private and public sector organisations whose main business falls in the construction industry

It is organised by the Construction Industry Productivity and Quality Committee (CIPQC), which has the backing of such powerful organisations as the Association of General Contractors (AGC), the Building Industries Federation SA (Bifsa), the SA

Federation of Civil Engineering Contractors (Safcec) and the SA Association of Consulting Engineers (SAACE)

The National Productivity Institute (NPI) serves on the committee and assists in promoting the competition

The winners in the three categories — diamond, ruby and emerald — will be announced at a gala dinner on March 16 next year. The competition will again be sponsored by the AGC Pretoria Portland Cement (PPC) and Hippo Quarries

Inquiries can be directed to Jerry Eccles at the NPI ☎ (012) 341 1470 and fax (012) 44 1866 or Nic Grobler of EVN Productivity Management Consultants ☎ (012) 803 7444 and fax (012) 803 8328

(247)

ARG 5/5/93

Rise in manufactured production

6/03 13/5/93
MANUFACTURED production for the three months to February 1993 increased 0,7% compared with the previous three months, but was still 0,3% lower than in the same period a year before, Central Statistical Service (CSS) figures showed.

Main contributor to the increase was "other chemical products", but this was counteracted by decreases in the iron, steel, basic metal products, machinery, equipment, electrical and motor vehicle industries.

The motor, food and beverage industries showed the largest increase in the value of manufactured product sales, rising 0,5% compared with the previous three months.

2470
EDWARD WEST

Econometrix economist Tony Twine said that with manufactured production falling as little as 0,3% compared with the 2,4% decline in total economic production in 1992, pressure to reduce inventories appeared to be softening.

However, the items which contributed to the decline in manufactured production signified further cutbacks in productive asset capacity essential for further economic growth.

Lower motor vehicle production resulted from lower sales. Figures indicated that recession in this sector was unlikely to be bottoming out.

Economy set to shrink, says AHI expert

247 TIM MARSLAND

THE economy was likely to shrink about 0,5% in the current year despite improved farming production, Afrikaanse Handelsinstituut chief economist Nick Barnardt said at the weekend **6 DAY 17/5/93**

Addressing an SPL Treasury Services conference in Vereeniging, he said this position could be reversed in 1994 if a number of factors slotted into place.

These were

- ☐ An expected improvement in the world economy;
- ☐ A speedy political settlement in SA,
- ☐ Continued good rains, and
- ☐ Further declines in interest rates

If these happened, a business cycle upswing could start early in 1994 and would see the economy grow at about 2%, he said, accelerating to 3% or more in 1995

He said that, hopefully, the monetary authorities would lose their "excessive fear of the money creation impact of further moderate cuts in Bank rate", and come around to the realisation that such rate cuts would probably slow the pace of decline in monetary growth and in overall business activity

As soon as the reserves position improved, "Bank rate should be lowered as close as possible to the rate of CPI inflation, followed by a gradual widening of the Bank rate/CPI differential if the economy recovers during the course of 1994"

He said there was virtually no chance of an upswing in interest rates at least until 1995

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Speed your read and save money, managers told

Business Staff

(247) ARG 29/5/93

COMPANIES and state departments should start "at the top" if they are serious about upgrading the notoriously low productivity of corporate South Africa, says Britha Padkin, managing director of Cape Town's Read Foundation.

"Most executives are simply unable rapidly to process and, thereafter, to retain information. Moreover, they are pain-

fully slow readers and don't know how logically to organise their personal memory systems," she said this week.

This cost the country hundreds of millions of rands in wasted or under-used man hours every year, she said.

"Managers simply cannot find the time to use their talent and vast experience to motivate, guide, decide or to devise strategies and explore new markets because they are

doomed to ploughing through mountains of paper work — at about 300 words a minute instead of the 1 000 or more they are able to."

Key corporate personnel should learn speed-reading.

■ Since 1982 the Read Foundation has held courses for CSIR, Old Mutual, Sanlam, Metropolitan Life, Guard Bank, Caltex, Engen, Reader's Digest, SAPPI, Court Helicopters and the City Council.

Alarm at failure to provide jobs

Star 29/6/93
(247)

Employment in the formal economy had increased by only 0,7 percent between 1980 and 1990, while the population had grown by about 2,6 percent a year in that time, the National Productivity Institute said

In its annual publication, Productivity Focus, the institute said the economy had failed to absorb new entrants to the labour market and unemployment had become critical.

The problem would become more acute because the people who would be seeking jobs well into the next century had already been born.

Another alarming trend was that more jobs were being created in the public sector rather than the private sector.

There had been particularly few new jobs in manufacturing "This is a cause for concern as manufacturing is the single largest sector in the South African economy and serves as the main engine for growth."

Although the only solution was high economic growth, Government assistance in job creation was very important, the institute said. — Sapa

New approaches to staff relations

ERICA JANKOWITZ

NEW forms of work organisation and pay schemes based partially on incentive are being implemented in some SA companies intent on achieving "world class performance"

A seminar hosted by FSA-Contact management consultants last week focused on this topic.

Bromor Foods MD Patrick Fleming spoke of the company's attempts to optimise employee performance by "building commitment".

Noting the inability of management to foster commitment from lower level employees because of lack of communication, financial incentive and succession planning, Fleming said Bromor looked at a dramatically different approach to human resources.

The two strongly-held beliefs used as the foundation of its "towards excellence" programme were that people were valuable assets, and a performance-based culture.

Bromor made a commitment not to reduce its workforce as a result of productivity improvements, and implemented a multipronged approach consisting of supervisory training and worker participation.

The company assessed all workers to identify those with potential for development. These were sent on training courses. Literacy and numeracy programmes were introduced for those without basic skills.

But it was on the reward side that Bromor made major changes. Three "tangible reward systems" were developed — ad hoc financial rewards in recognition of excellent service; financial rewards for suggestions which resulted in improved performance; and performance-based incentives.

The performance-based scheme covered every employee and was

linked to either individual, team or company performance.

"This was a major structural and conceptual change, and we sallied forth with some trepidation," Fleming said.

In assessing the success of the programme, he said: "At the end of the day success will be determined not by the programmes we embark on but by the relationships we develop. It is the quality of relationships which leads to mutual trust and respect, and without these there can never be commitment."

In a similar vein, Carlton Paper MD Keith Partridge spoke of his company's programme based on "building a productive relationship with labour".

Carlton's initiative rested on the premise of total employee involvement and the democratic participation of all workers in reaching consensus on important issues.

Partridge described the "new employee" as being committed to company goals; informed about all aspects of company performance, developed by the company within his capabilities, customer orientated, a creative thinker; a participant in company success; and able to add value to company performance.

Carlton's reward scheme was not purely financially based but had a recognition component, Partridge said. The company had identified personal recognition for lifting self-esteem, which in turn helped empower the workforce.

Partridge and Fleming said they were a long way from achieving their goal of becoming world class manufacturers. However, progress had been made in involving workers in more aspects of production planning.

Call for more specialisation

MZIWAKHE HLANGANI

SA's productivity and competitive growth should be achieved by concentrating on specific industries rather than general manufacturing, says the National Productivity Institute in its latest Productivity Focus report.

Average productivity levels could be raised if the country specialised in relatively productive industries, and imported those products and services which local firms could not supply.

The poor productivity performance of the SA manufacturing sector was reflected by manufacturing employment increasing only 1.5% a year between 1970 and 1991, compared with the real fixed capital resources increase of 5% over the same period.

This demonstrated how capital-intensive this sector had become in two decades.

Productivity strategist Karin Liebenberg said subsidies and protecting unproductive industries slowed down the upgrading of the economy and limited long-term standards of living.

Hourly wages in manufacturing showed high average increases in the same period, but the report showed these increases were not "harmful" to manufacturers in themselves, as long as they were matched by higher productivity.

Liebenberg said the aim should be to support high wages through higher productivity and exporting products at competitive prices.

Zimbabwe govt growth forecast too high — bank

HARARE — Zimbabwe's agriculture-powered economy, which shrunk more than 10% in 1992 under a severe drought, was set to grow at the most 2% this year and not 7% as forecast by the government, a leading commercial bank said on Friday.

In its latest economic bulletin, Barclays Bank of Zimbabwe said although agriculture had recovered significantly, its boost to the rest of the economy would be limited by high retention of food crops by farmers, depressed domestic demand and a tight monetary policy.

The economy was also hit by low prices for the country's huge tobacco crop and world recession, it said.

"While crop forecasts indicate a good agricultural season... the boost to the rest of the economy will be relatively muted," the bank said.

"Growth in GDP will at least be positive for 1993, but despite official assertions of 7%, growth in GDP is not expected to be more than 2%." "Expectations of lacklustre performance are based on assessment of the seriousness of the macro-economic situation, as reflected in persistently high inflation and tight conditions in the monetary market."

The bank called on the government to cut its bloated 180 000-member public service drastically, cut subsidies to loss-making state companies and reduce public expenditure, which is devouring more than 50% of GDP.

Last month trading on the money market nearly ground to a halt as interest rates soared to about 45% because of continued heavy government borrowing from the market, where it has been accused of crowding out private industry.

"The government's unwillingness to reduce the deficit (expected to rise to more than 15% in 1993 from 9% last year) remains the most pressing threat to macroeconomic stability," the bank said — Sapa-Reuter

New supports improve mine safety

PRETORIA — Mine safety standards would be improved significantly by the use of newly designed supports, the CSIR announced at the weekend.

Developed by the CSIR's mining technology division, the yielding tendon support, or Cone Bolt, would assist greatly in reducing damage as a result of rockbursts and large quasi-static rock deformations, the CSIR publication Technobrief said.

The bolt was designed specifically for gold mines prone to seismic events or high stress changes. The tendon incorporated a number of novel features enabling it to withstand pressures more than 25kN. Conventional tendons could achieve only between 2 and 6kN before failure, the report said. Installation of the cone bolt was as easy as that of conventional tendons, allowing simple integration with other support system elements.

Union Carbide in mining project

HARARE — Union Carbide was talking with potential partners to help finance a US\$280m platinum and base metals mine in Zimbabwe, a company spokesman said on Friday.

The deal to start operations at the Munosa Mine in southwest Zimbabwe would hopefully be in place by year-end, he said.

Union Carbide Zimbabwe's US-based parent company began discussions with potential partners a month ago following the completion of a three-year feasibility study.

The study estimated annual platinum output at 132 000oz, and palladium production at 102 000oz. Small quantities of rutile, and other platinum group metals, as well as 4 700 tons of nickel and 3 600 tons of copper could be produced.

A plant processing 3-million tons of ore a year from reserves of about 75-million tons was suggested in the feasibility report, and annual earnings of US\$130m were projected. The platinum grades would not warrant mining but the combination of other metals would make the project viable.

Union Carbide was hoping to finance 60% of the project through a joint venture and the rest by loan, taking advantage of the relaxation of dividend remittances by foreign companies announced by the Zimbabwe government in April.

The company hoped to start mining early next year. This would be followed by the establishment of a concentrator plant and refining by toll treatment until a smelter was in place. Full production was expected in three years, when the plant would employ about 1 400 people. — Sapa.

Beware the perils of cutting jobs

COMMON wisdom that being lean and mean is paramount in business is a threat to society and needs to be ditched. This observation comes from none other than Professor Stephane Garelli, director of the World Competitiveness Project.

"Today's obsession with reducing head count (currently raised to the level of management theory) is, in fact, a major threat to the foundations of an open and free market society," Garelli says in the 1993 *World Competitiveness Report* — whose focus, one would imagine, is success at all costs.

The report ranks the competitiveness of 38 countries, including South Africa, according to 330 criteria.

Garelli's comment becomes less surprising when one realises the concern is sparked by a continuing wave of white-collar job losses. As Garelli points out delicately, out-of-work managerial staff tend to be vocal and articulate in questioning the logic of an economic system which kills employment.

He notes that pressures for remarkable growth in world economies in the 1980s have not helped create jobs, rather, the opposite.

"Public opinion, which is barely ready to accept that jobs can be destroyed in a period of recession, cannot understand why economic recoveries do not eradicate unemployment. Present recession in world economies will add a second wave of redundancies to the structural unemployment inherited from the past."

"The prospect that a future economic recovery may not necessarily regenerate employment produces all the ingredients for a formidable social time bomb."

Naturally enough, pressures for competitiveness are blamed. But Garelli argues three revolutionary trends have been at work in

- Technology, where computers and the telecommunications industry have mushroomed

- Management processes, with

People are not disposable assets, concludes a study of world competitiveness South African business should take note, reports REG RUMNEY



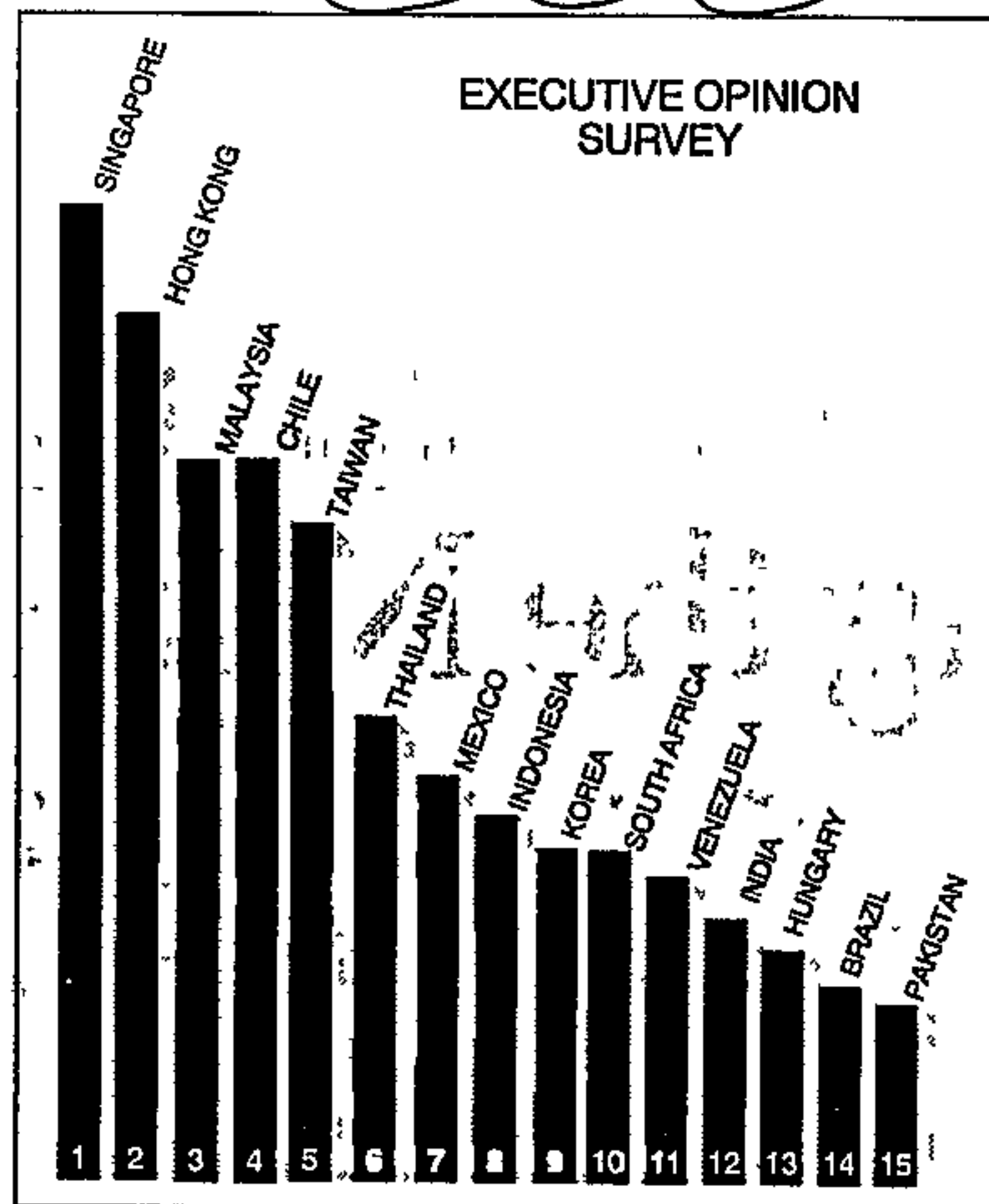
Professor Stephane Garelli manage the corporate culture as well as the money

Japan leading the way in such processes as quality, speed and customer satisfaction

- World markets, where wealth and production capacity have moved outside Europe and Asia to the United States

These trends caused blue-collar job losses in manufacturing first, as companies streamlined and "de-localised". The 1990s, observes Garelli, are causing a further wave of structural unemployment, mainly among white-collar workers

Despite huge investments in com-



South Africa ranks 10th out of 15 countries surveyed in the World Competitiveness Report Executive Opinion Survey, which rates countries according to international business opinion. In its "Score-board" overall ranking, however, the report puts South Africa 11th, behind Singapore, Hong Kong, Taiwan, Malaysia, Chile, Korea, Thailand, Mexico, Venezuela and Indonesia. It is in front only of Hungary, India, Brazil and Pakistan.

puter and telecommunication technology in offices, white-collar productivity has not kept pace with blue-collar productivity

"During the Eighties productivity increased on average by 3,6 percent every year in manufacturing, while it stagnated at a poor 0,3 percent per year in the non-manufacturing part of the economy. It is estimated that one task out of three has still to be redone in offices today."

This statistic corresponds to a defect rate of 33 percent, which has to be compared to the 300 parts per million

in manufacturing, he says.

Companies have decided to try to control white-collar productivity through "re-engineering" and large companies have begun sweeping "downsizing" operations, getting rid of entire departments and running HQs with limited staff.

Garelli asks "Should this process of radical job cutting, logical though it may seem, be allowed to threaten the social fabric of modern economies?"

His answer is that systematic job reduction could harm competitiveness by damaging the system of values

essential to the success of any business. Companies should think about the longer-term consequences.

"A well-educated workforce, as well as a strong value system, acts as a cement in a company. This key success factor is at the core of most competitive companies today."

"Thus, the theory of competitiveness does not necessarily advocate the systematic reduction of employment whenever it is feasible. On the contrary, it underlines the importance of managing corporate culture and human assets as well as any other financial asset."

"It should not be forgotten that destroying a corporate value system can happen in only a matter of months, rebuilding one can take years."

However, at a media conference this week, Garelli noted that large companies cannot be relied on to be job creators any more, though they will continue to be locomotives of the economy. The jobs will have to come from small and medium-sized companies supplying goods and services to the large companies.

In South Africa, pressures for downsizing have been driven by dismal economic performance during the Eighties and, latterly, by four years of stubborn recession. White-collar and blue-collar jobs have been lost. But productivity overall has not benefited much.

The latest National Productivity Institute (NPI) *Productivity Focus* points out that unit labour costs — the gap between salary increases and productivity — have been rising, despite recession.

Unit labour cost applies to both blue and white-collar workers. "Although the salaries and wages of blue-collar workers increased at a faster rate (17,1 percent per annum) than those of white collar workers (13,1 percent per annum), blue-collar workers earned on average only about a third as much as their white collar colleagues," the institute notes.

Low productivity is one factor which keeps South Africa on the low end of league tables of developing nations.

Could this portend the loss of even more jobs as a crude way of increasing productivity? Or lower wages as a way of reducing the unit labour cost?

The NPI appears to concur with the different emphasis contained in the latest *World Bank Economic Perspective* that higher skills, rather than lower wages, are a solution.

"The permanent solution to the problem of low wages lies in compulsory schooling and technical training. Employee training should be one of the main objectives of an organisation because it is the surest way of raising living standards over the long term," the NPI notes.

Talks on national productivity programme

LINDA ENSOR

CAPE TOWN — Talks between the National Productivity Institute and Finance Minister Derek Keys would be held soon to formulate and implement a national productivity programme, institute executive director Jan Visser said yesterday.

Speaking at a University of Cape Town Graduate School of Business Association function, Visser said political problems, like the illegitimacy of the present regime, had previously stood in the way of getting such a programme off the ground.

Government had refused to invest

money in promoting an awareness of the importance of productivity.

Visser said there should be a massive education programme similar to that undertaken in Far Eastern countries to educate South Africans about the need for productivity.

Productivity improvements were the only way SA could become internationally competitive, which was vital for export growth. This, in turn, was the only way for the economy to grow and unemployment and poverty

to be addressed.

Visser pointed out that while local wages had increased more between 1975 and 1991 than in the UK, US, Germany and Japan, its productivity increase was the lowest.

During this period, the labour cost a unit had escalated enormously and SA had priced itself out of the international market.

He stressed the need for management training and development, saying that the main cause of low productivity in SA was the lack of management skills and understanding of what productivity involved.

Call to shift focus from profits to productivity

A MASSIVE management education programme, spanning five to seven years, is needed to teach supervisors the importance of productivity

This was the message of executive director of National Productivity Institute (NPI), Jan Visser, who was speaking at the Graduate School of Business (GSB) luncheon yesterday

Visser said this type of training was behind the astounding economic successes of Taiwan, Korea, Japan and Singapore. 247 CT 23/1/93

"We must forget about profitability ratios and aim for productivity," he said

This, he said, meant bringing wage increases in line with productivity. For example, he pointed to 1992, where salaries and wages increased by about 15% while labour productivity was at a negative 1%.

"The only way to cover this gap is for companies to pay through profits or by passing the cost of this on to the consumer."

Visser said that 60% of the problem was brought on by unproductive white collar workers.

He said that the trend in SA has been for jobs to grow in the financial and commercial sectors of the economy and in government.

"However blue collar workers should be creating jobs for the white collar workers," he stressed

JOBS

SA slipping down the job and productivity ladder

SOUTH Africa is slipping further behind its competitors in productivity and job creation, says the National Productivity Institute's Productivity Focus.

SA productivity increased by a mere 1% a year between 1980 and 1990 compared with annual rates of 6.5% in South Korea, 5.4% in Taiwan and 2.9% in Japan.

NPI economist Karin Liebenberg says "Unfortunately, SA's increase was the result of the least desirable methods of improving productivity because it coincided with a decline in employment. Employment opportunities among developed nations increased at a faster rate than the population."

Sharp

The inability to absorb entrants to the labour market — the result of low economic growth and poor productivity — exacerbated unemployment.

The two industries to register the highest gains in productivity were beverages and paper, both of which showed sharp increases in both employment and productivity. Capital productivity declined in almost half

By CIARAN RYAN

the industries, the result of capital inputs growing at a faster rate than outputs.

In most other cases, the report paints a depressing picture of an economy losing its competitive grip.

Another alarming trend, says Mrs Liebenberg, is the growth in public-sector employment. Almost 300 000 jobs were created in the formal sector between 1980 and 1991, but 366 100 more people were employed in government. Only 25 100 more people were employed in manufacturing.

"This is a cause for concern because manufacturing is the single largest sector in the SA economy and serves as the engine for growth. It is responsible for almost a quarter of all economic activity and should play an equally important role in providing jobs for the growing population."

In spite of a 204% increase in wages in the manufacturing sector between 1986 and 1991, workers benefited only marginally because inflation accelerated at almost the same rate. The report shows that real earnings grew only slightly between 1970 and 1991, but productivity rose

even less.

Labour productivity in the private economy increased by only 1.1% between 1970 and 1991. The biggest improvements were in agriculture (3.9% a year), transport (2.3%) and electricity (2.2%).

"Between 1990 and 1991 all sectors, except agriculture, registered positive labour productivity growth rates," says the report.

Labour productivity growth rates were highest in electricity (8.1%), mining (4.3%) and transport (3.8%). All sectors, except manufacturing and agriculture, achieved higher labour productivity growth rates between 1990 and 1991 than between 1970 and 1991.

Cycle

The report highlights the decline in capital productivity in all sectors except agriculture between 1970 and 1991. Capital productivity in the private economy declined by 1% between 1990 and 1991.

"The long-term trend in fixed capital productivity shows that fixed capital is much under-used as a factor of production," says Mrs Liebenberg. "This is unfortunate because capital is SA's scarce resource."

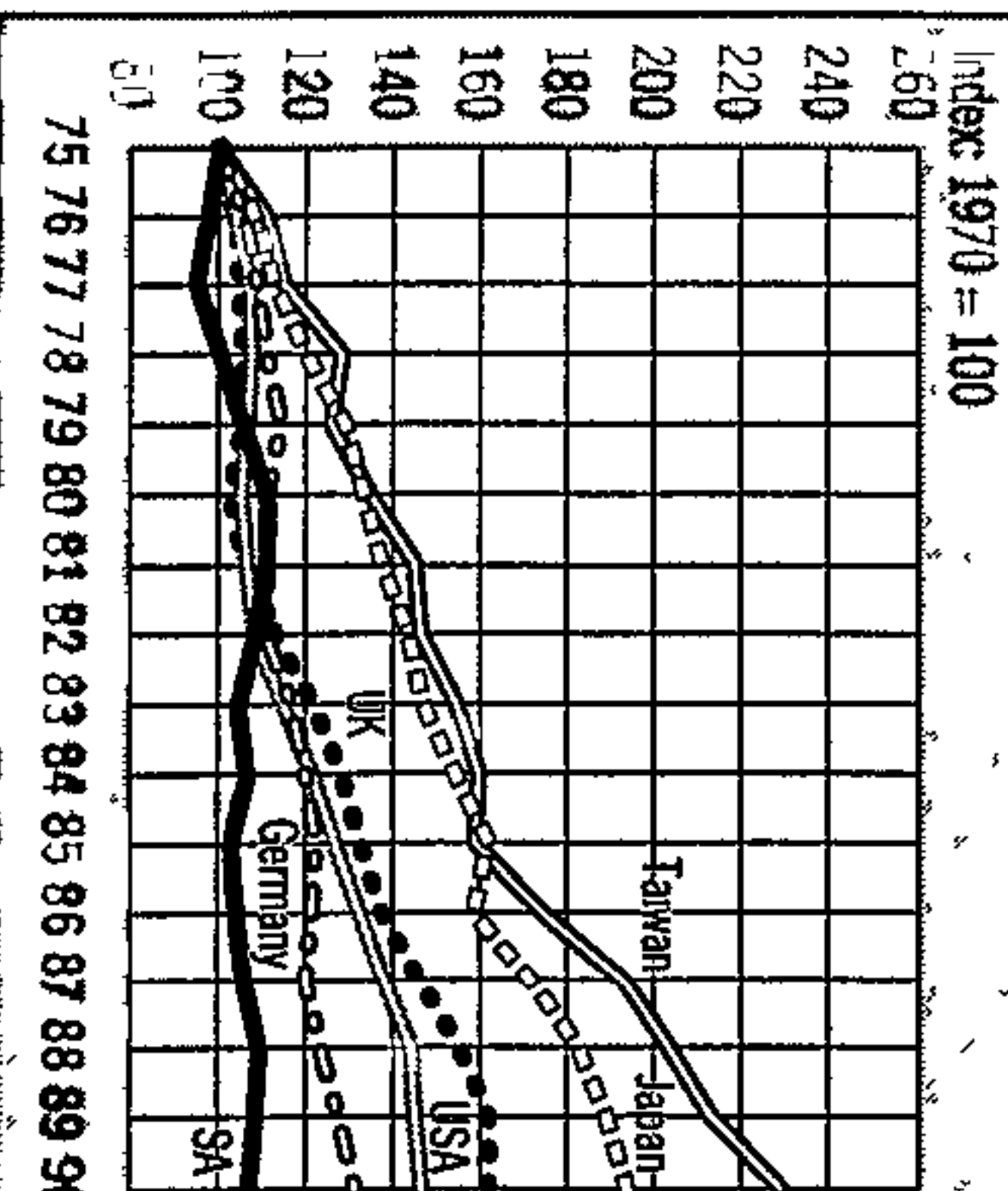
The most comprehensive measure of productivity is multifactor productivity, reflecting a combination of labour and fixed capital productivity trends. The report shows that only four sectors, agriculture, electricity, commerce and transport, achieved multifactor productivity gains.

Sharp sectoral differences in capital productivity reflect the capital intensities of different industries. Only 14% of the capital employed in clothing is fixed capital, 86% of it is working capital. In contrast, the textile industry's working capital represented only 51% of the total capital employed.

Fixed capital productivity growth between 1977 and 1985 — the only years for which figures are available — declined 4.5% in the manufacturing sector as a whole, the biggest drops being in chemicals, paper, furniture and non-metallic products.

Capital productivity for the economy as a whole fell by only 1.2%. In spite of declines in fixed capital productivity in food, beverages, wood and non-metallic products, all these sectors showed overall gains in capital productivity because of strong gains in working capital productivity.

Labour productivity in manufacturing



Graphic: RDM/KSCM Source: ABSA

"Fixed capital is adversely influenced by downturns in the economic cycle because of low capacity utilisation," says the report.

Control

"Productivity of working capital in most industries was higher than fixed capital productivity, mainly because management has more control over working capital, and high interest rates were probably the most important driving force behind this improvement."

The average return on investment (ROI) for manufacturing in 1991 was 12.8%, 2.5 percentage points below inflation. Eight industries recorded ROI figures above 20%: beverages (24%), tobacco

and leather (30.5%), footwear (27.6%), printing and publishing (33.8%), plastic products (30.1%), electrical machinery (20.6%) and professional equipment (35.7%).

Although most industries recorded declining ROIs between 1989 and 1991, there were five exceptions — food, beverages, tobacco, leather and printing and publishing.

The industry with the highest value added was chemicals, accounting for 16.9% of the total value added in the manufacturing sector, followed by base metals (12%) and food (9.8%).

Economic growth in SA averaged 1.3% a year between 1980 and 1991, compared with rates in excess of 7% a year in Taiwan, South Korea and Botswana.

SA must learn Jan's lessons

Step 26/7/93

247

National Productivity Institute is celebrating its anniversary by turning up the volume, on messages to management and workers, that better productivity is a vital key to economic progress and higher living standards. MICHAEL CHESTER reports.

HERE are masses of economic data from around the world that come under regular scrutiny at National Productivity Institute. The higher the grows, the deeper the of researchers who follow Africa's track record al comparisons

bombardment of bar and tabulations could wider the layman. executive director Jan however, believes the signals that cause the can be decoded from a nple fact sheets. the institute reaches its anniversary, he wants to up the volume on lessons e believes many business s still need to learn. it out of the pile comes ce of what has been hap- to living standards here veras while South Afri- s locked away in interna- isolation.

ns, he explains, can be ured by gross domestic t per capita — a piece of that, in short, means the economic wealth generat- each country, in turn di- by the size of population. bringing every man and n and child into the count,

it is the best yardstick yet found by economic gurus to judge shifts in the average standard of living. Visser wants to show what has happened since 1980 — using 1985 prices as a benchmark to wipe out distortions caused by varying rates of inflation.

Comparisons of South Africa with the giants of the industrialised world, he feels, are largely academic because they started off so far ahead.

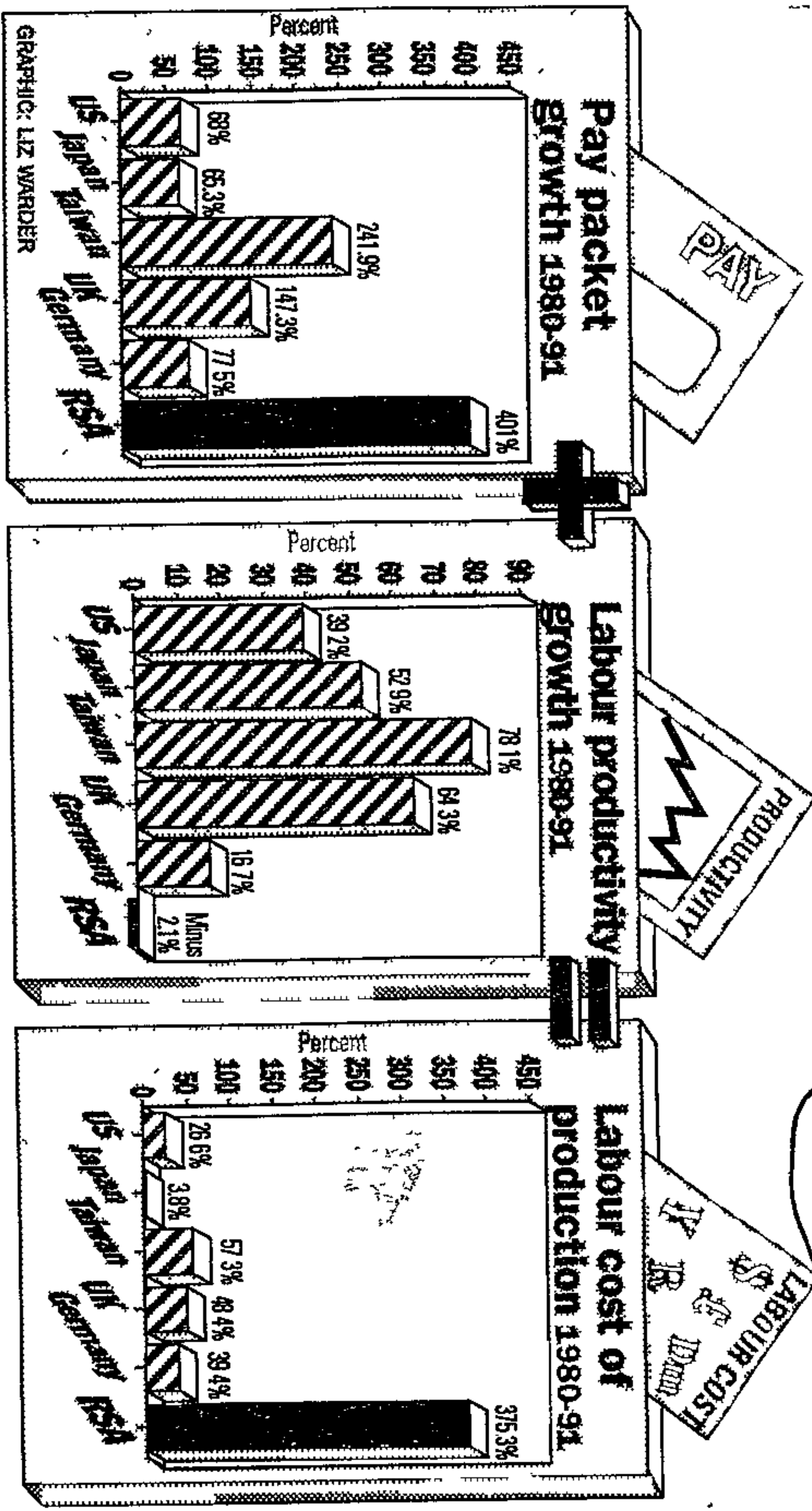
As an example, GDP per head of population in the United States even in 1980 was R34 588 and has since grown to over R40 000

Visser wants to talk about countries that started on a fairly equal pegging with South Africa not so long ago — but have since raced ahead

Taiwan had a GDP per capita of R5 810 in 1980. The economic miracles it has woven have almost doubled the figure, to R11 550.

In an even more spectacular jump, the figure for Korea has soared from under R3 700 to well above R8 438.

South Africa's GDP per capita, handicapped by a population explosion, has actually shrunk — from R3 890 to R3 396. While living standards have



Jan Visser has been on a productivity crusade for 25 years. At last he believes he is reaching a wider audience.

improved at annual average rates of a comfortable 3.7 percent in Japan and at 6.3 percent in Taiwan, in South Africa they have taken a nosedive.

What's going wrong? Jan Visser reaches into the pile of data to extract more statistics. There are three sets. And he believes they deserve close study

Onto the table come records of what has happened to the size of pay packets. Was South Africa competitive and economic performance clobbered

by the surge in labour costs as black trade union flexed their muscles and demanded bigger wage increases?

Hourly pay rates in South African manufacturing industries on average multiplied by more than 400 percent in 1980/91.

The justifications and reasons may be well known to socio-political observers. The worry for economists comes when the size of increases is compared with elsewhere — and whether higher

pay was matched by higher production.

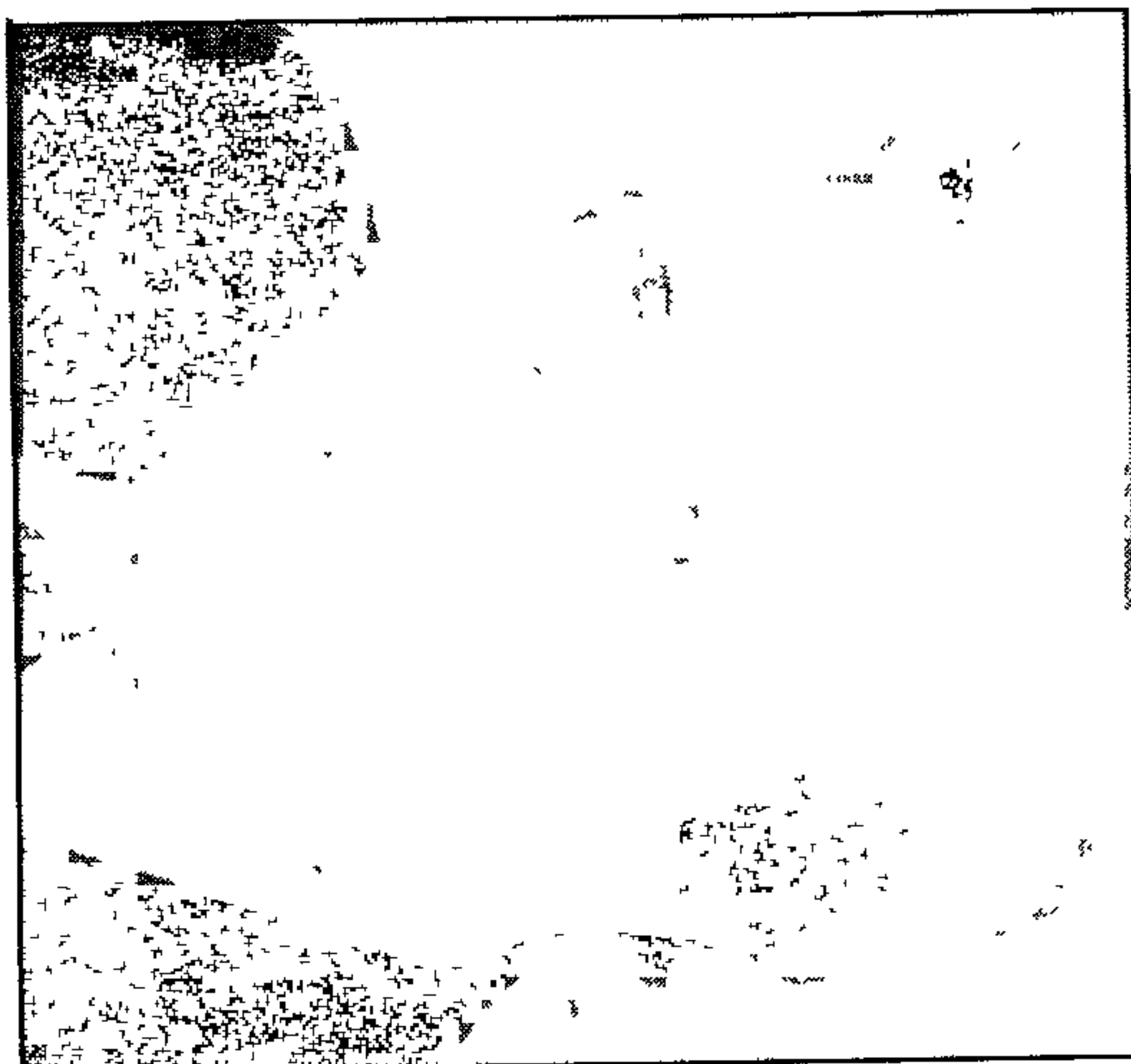
The scale of pay increases in South Africa was almost twice as high as in Taiwan, which was trying to catch up from an even worse poverty base line — but has since left SA in its wake. And it was more than five times higher than in either the United States or Japan

That brings Visser to statistics on what has happened to production bills — in terms of the cost of labour in every item

turned out by the factories. In Taiwan, labour costs grew little more than 57 percent. In Japan, less than 4 percent. In South Africa they surged a staggering 375 percent.

Visser lays out the next tabulations on the table as if playing an ace and king at blackjack. They look at productivity.

Labour productivity in Japan grew by 53 percent, in Taiwan by 78 percent. In South Africa it fell by more than 2 percent. But don't, he insists, pile all



the blame on the labour force. If the productivity of labour has been poor, the productivity of capital — all the cash ploughed into machinery and equipment — has been much worse

A more comprehensive measure that combines both labour and capital performance shows overall productivity in the manufacturing sector has fallen lower than it was more than 20 years ago. And the downward trend was showing long before the current recession set in.

ital investment in business, he says, should be expansion of production resources, rather than luxurious office blocks and vast shopping centres. There should be far less dependence on subsidies to keep companies afloat and on import quotas and high tariffs to protect weak business sectors from global competition.

Also, bigger slices of company budgets needed to be channeled into education and training programmes — the hard-rock basis of 'ever-term economic

STAR

28/7/95

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"Whichever way we look at it," says Visser, "productivity performance is basically the responsibility of sound management. It is managements that should plan improvement. They should plan production processes and motivate employees to ensure higher productivity."

"But while productivity levels depend on the all-round quality of management more than anything else, management alone cannot achieve success unless they win the co-operation of the whole work force."

The first priority of new cap-

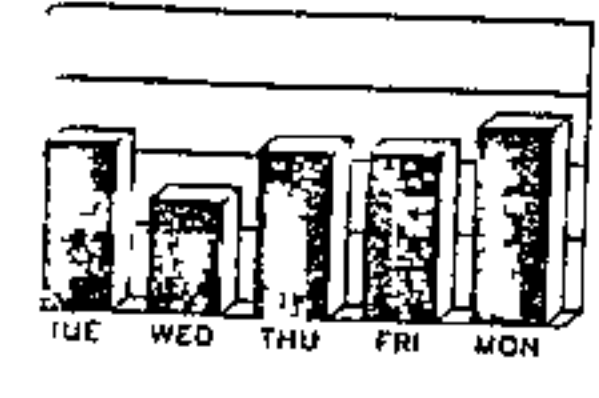
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It was also necessary to explode the myth that higher productivity implied a threat to jobs.

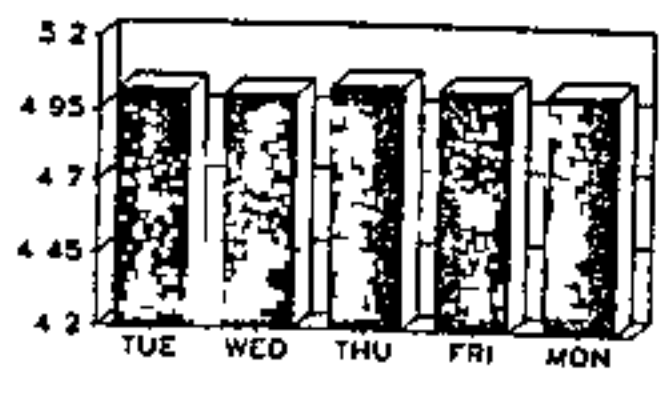
"Experience the world over," says Visser, "has proved productivity is a vital key to sound economic foundations and dynamic economic growth — the path to more and more employment opportunities."

Jan Visser has been on the productivity crusade for 25 years. He believes that finally, he is finding a wider audience. □

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Turnover of executive staff now running at record level

By Claire Gebhardt

High rates of staff turnover are contributing to the country's poor productivity record and delaying the prospect of an economic recovery, according to PE Corporate Services.

MD Martin Westcott says annual rates of staff turnover have increased over the past year to 8 percent, compared with averages of between 3 percent and 5 percent during the past decade.

Almost half this figure is the result of retrenchments and redundancies as South Africa entered its fifth year of economic recession, he says.

"Senior executive turnover, which has also topped 8 percent during the past year, is now running at the highest rate recorded since PE initiated its national surveys during the mid 1970s"

Westcott says the overall cost to the economy is massive

"Based on a highly conservative average cost of R10 000 per

new recruit and a current economically active population of around 10 million, the hidden costs of staff turnover probably exceeds R8 billion per annum."

At senior executive levels where the shortage of management skills has greatest impact on organisational performance, staff turnover is particularly acute, he says

Consequences

Other consequences are that new senior executives invariably review and change corporate policies and strategies and this too can involve enormous costs

According to the survey, the average length of service of staff leaving South African companies has increased nearly 50 percent to 2,9 years, compared with an average of 2 years experience per departing staff member over the past 5 years

"Contributing to this average is the fact that nearly 50 per-

cent of all staff leaving South African organisations during the past year have taken with them more than four years accumulative experience with their former employer.

"Reasons for this alarming statistic may be found in the fact that companies have to impose drastic reductions in staff to stay solvent in the face of rapidly shrinking market demand for many products.

"The result is a serious loss of executive and management talent in companies that can ill afford this loss of skill."

Westcott says existing management skills will be critical to in-house education and training as companies gear up to implement affirmative action

"The next three to five years will be a period when drastic improvements in productivity and some attempt to acquire world class manufacturing standards will become increasingly important for the survival of South African business"

Present recession fires up higher productivity levels

GRETA STEYN

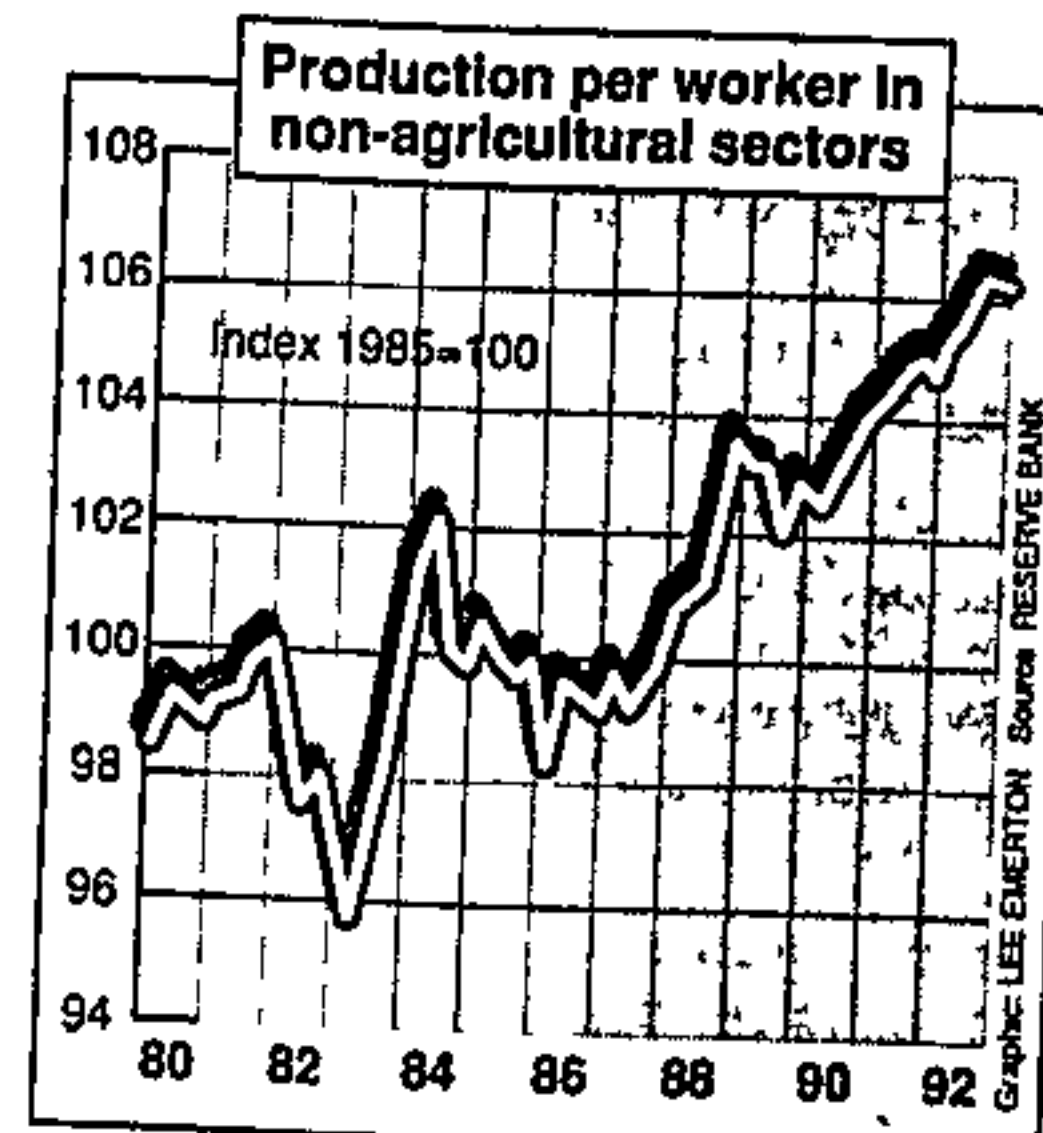
LABOUR productivity bucked the trend of previous recessions to rise sharply in this one, as the fast rate of retrenchments pushed up the amount of output produced per worker

The Reserve Bank said in its annual economic report the rise in real output a worker "was not so much achieved by a stronger commitment to the work effort, but rather by the laying-off of workers at a rate faster than the contraction in output volumes". In 1991 and 1992, output a worker rose at a real rate of 1,3% (the latest figures available) (247)

Loss of jobs during the 1989-93 recession was much more severe than in previous recessions

The Bank said when the fall in employment was added to new job seekers, about 1,5-million people had been unable to find employment in the formal sector of the non-agricultural economy since the beginning of the recession

As a result, the unemployed or those involved in the informal sector



were 46% of the economically active population in 1992, from 39% in 1988

The employment slump was a private sector phenomenon, the public sector saw an increase in employment over the recession period

In the private sector, it was only banking and insurance that experienced growth in employment over the recession

Despite the rise in unemployment, workers' wage growth outpaced inflation. The real remuneration per

worker rose at an average annual rate of 2% from 1988 to 1992

The Bank, describing the growth in remuneration a worker as "excessive", said it had been caused by the unions' "living wage campaign". It noted that the result was a sharp narrowing in the gap between white and non-white workers.

Rapid increases in worker pay spurred real increases in unit labour costs which had a negative impact on business profitability, savings, capital formation and the international competitiveness of local producers, the report said

Before 1982, the rate of growth in employment roughly matched the rate of increase in the economically active population

Between 1970 and 1982, employment in non-agricultural sectors increased at an average annual rate of 2,7% — only slightly less than the 2,9% annual growth in the economically active population. However, average annual employment growth slowed to 0,5% between 1983 and 1989 and fell by 1,5% on average from 1989 to 1992

JOHANNESBURG — Average South African workers' wage increases outstripped the annual average increase in productivity three-fold over the past decade, Reserve Bank governor Chris Stals said last night.

Speaking at the annual Productivity Award dinner in Johannesburg, he said this had been caused by inflation and socio-political reforms such as the elimination of wage discrimination.

Stals said the decline in productivity affected South Africa's international competitiveness.

The country had the 10th highest average labour cost in a recent survey of 14 newly-industrialised countries.

The country had suffered as a result of poor education and training, a shortage of competent managers, the lax attitude of workers and the increase in labour unrest.

Stals said that in the years 1970 to 1979 South Africa lost an average of

Stals gives low-down on productivity

52 000 man-days a year. In the period 1980 to 1992 this increased to 1.3 million man-days a year.

However, he said the situation was not beyond repair as there were ways of increasing productivity.

Deregulation, education and training, privatisation and commercialisation, scientific management, a change in work ethic and encouraging competition were among the ways.

Stals said a recent increase in labour productivity was not due to greater industriousness, but the result of retrenchments which had forced remaining workers to increase productivity. Sapa

Star 7/9/93
Productivity lagging, says Stals

Average wage increases have outstripped the annual average increase in productivity threefold over the past decade, says Reserve Bank Governor Chris Stals.

He told the Productivity Award dinner in Johannesburg last night this had been caused by inflation and socio-political reforms. (247)

South Africa had the 10th highest average labour cost in a recent survey of 14 newly industrialised countries.

Stals said that in the years 1970 to 1979, SA had lost an average of 52 000 man-days a year. From 1980 to 1992 the figure rose to 1,3 million.

But the situation was not beyond repair as there were ways of increasing productivity.

Deregulation, education and training, privatisation and commercialisation, scientific management and encouraging competition were among them.— Sapa.

JOBS

Carrots that work

SITIMBO (BUSINESS) 1919/93

GIVING staff members a share of profits and using helicopters to speed up deliveries are among the methods of improving productivity.

The National Productivity Institute (NPI) has made its awards for 1993 and a common thread running through most of the companies is that changes were made with the support and commitment of everyone from floor sweeper to chairman.

Rand Refinery, winner of a silver medal, is carrying bullion by helicopter to avoid protracted delivery by road. Rand Refinery general manager Herman van Heerden says "Helicopter delivery also cuts transport costs because fewer vehicles are required."

In three years, Rand Refinery has saved more than R6-million from increased revenue and freight-cost reductions.

The mining industry saved R8-million from shortening the delivery pipeline from five to two days.

Mr van Heerden says "A ton of gold is worth about R37-million. The money saved from holding it for three days fewer is large."

Barons of Sandton won a gold medal for being one of the most profitable car dealers in parts and workshop departments in spite of the motor-industry slump. Dealer principal Martin

By TERRY BETTY

Laubscher says that in four years the dealership has improved profits fivefold. Productivity has led to job security, more jobs, higher pay, a company car scheme for mechanics and a better quality of life at work.

Mr Laubscher says "An indication of employee satisfaction is that no apprentice has left us after becoming a journeyman."

SA Breweries Alrode plant, a silver award winner, was transformed from one of the worst performers to a leader in the beer division.

Quality-assurance manager Ian Mackintosh says "We focused on loss prevention, efficient financing, and warehousing operations."

But how have these companies and others which received gold, silver, bronze and special mention awards, achieved so much?

The answer lies in involving employees in decision making and its implementation. The achievers succeeded through encouragement, not coercion — the carrot not the stick.

Mr van Heerden says Rand Refinery employees were encouraged to present ideas which could save costs.

"Workers often have the best ideas about how to increase production at their level, even if it is up to management to decide."



PRODUCTIVITY WINS: Enzo Buratti, Colin Theron, Ganas Govender and Martin Laubscher of car-dealer Barons' NPI award-winning team. Picture JOHN HRUSA

Barons, a member of Barlow Motor Investments, decided to turn its business into a tightly knit family unit.

Mr Laubscher says "We wanted people to have pride in their work and enjoy working. They should not have to endure the working day, looking forward only to their wage or salary."

"It was hard initially. You cannot have a few meetings and expect people to believe

in the process. It took about 18 months for the staff to believe that this was a genuine exercise to their benefit."

"They became more committed as they saw their suggestions being acted on."

Management also had to change its attitude. "We have to understand what we are in business for and that our existence depends on satisfying our customers. Managers have to

exercise vision, support staff and listen."

Mr Mackintosh says "We had to align individual with overall strategic goals of the company. That involved a bit of change on both sides."

Progressive companies, such as these award winners, say their ideas were greeted with employee cynicism. But once the employees saw the benefits, they became involved in the process making.

An NPI spokesman says the award adjudicators took into consideration management initiative, the extent to which productivity increased, the benefits to the particular industry, the training and development of staff, job security, working conditions and the extent to which workers were involved in decision making. Changes must work for at least 18 months before being considered of a lasting nature.

Incentive plan 'a success'

ERICA JANKOWITZ

AN INCENTIVE scheme designed to motivate workers to meet monthly production targets at Volkswagen SA's Uitenhage factory has been successful and deficits have been reduced, says VW executive chairman Peter Searle.

However, workers have some way to go before receiving a promised cash bonus in January as many factors, especially absenteeism, industrial action and external supplier shortages have prevented the full target from being met.

In August and September productivity improved dramatically. The company's in-house newsletter Fanfare said the seven-week period from July 19 delivered the best production results this year.

In September more than 4 000 units were sold locally, in addition to the VW units shipped to China, indicating "the success we've enjoyed in efforts to meet and beat a pre-determined target by year-end".

Searle said the incentive scheme was devised after a meeting earlier this year at which the company's financial woes were explained to workers.

During question time, several workers asked why they had to suffer during the downturn when they were not rewarded during boom periods.

"We set a target which will make the company successful



● SEARLE

"If this is achieved, workers must receive a direct benefit and we will reward them accordingly."

However, the National Union of Metal workers of SA (Numsa) — the majority union at the plant — has interpreted the scheme in a different way.

Part-time Numsa shop steward Eric Sibidla said union pressure resulted in the bonus being implemented.

"We weren't convinced about the financial crisis management kept talking about, so we forced them to address us on the subject. At this meeting we made management look at incentives and committed ourselves to an annual target."

Sibidla believed the scheme was not a once-off arrangement, but part of the union's long-term goal to share profits. And if workers exceeded the target, additional units should be sold and the profits shared between all workers. (247)

The fact that all workers, irrespective of category or income, stood to receive the same cash bonus was important. "We all suffer the same problems and should all receive the same bonus," Sibidla said.

Searle said the union was receptive to industrial restructuring to ensure international competitiveness.

"We continually communicate with shop stewards about world-best practice. This is no longer an intellectual exercise, but one in which the practicalities have to be worked out in consultation with all parties," he said.

To this end VW has established project teams made up of different skills which tackle topics.

Sibidla agreed that communications had improved, but believed there was a long way to go before management and workers spoke the same language and pursued the same goals.

Trade unions 'misled' on productivity issue

Star 22/10/93

(247)

Cape Town — Labour would have to be taken to task as it was misleading its constituency in the productivity debate, the Finance Minister's economic adviser Japie Jacobs said yesterday.

Labour contended that higher productivity led to an increase in retrenchments and that higher wages — irrespective of productivity considerations — lead to

increased demand, investment and economic growth, he said.

"Arguments like these may impress and activate trade unions, but they should be seen for what they are: the unbridled exploitation of the ignorance of workers for causes that run foul to the long-term interests of the economy."

Jacobs was speaking at a conference on the National Econo-

mics Forum along with labour representative (Cosatu negotiator) Jayendra Naidoo and business representative, SA Chamber of Business chief economist, Ben van Rensburg.

He added, "Nobody advocates a cheap labour policy, but the view that we have to become a high wage-high growth country is so remote from reality at present it hardly justifies serious de-

bate."

Both Jacobs and Van Rensburg were concerned by the loss to the NEF of experienced labour representatives when they take part in the election.

However, Naidoo said while 20 union leaders would be a loss to the labour movement, he believed the standard of labour's contribution to the NEF would be maintained. — Sapa.

PRODUCTIVITY
Fm 29/10/93
Ghost of apartheid past

Segregated and unequal education has seriously damaged productivity. A draft document on a policy model for human development, released by the Development Bank last week, examines the role of education and training in determining the levels of employment in different population groups.

It is the work of a team of the bank's economists, in collaboration with Andre Roux, professor of economics at the University of the Western Cape, and led by former senior deputy Reserve Bank Governor Jan Lombard (247)

With a 60% adult literacy rate, SA finds itself roughly between least-developed countries (53%) and all developing countries (69%). This is despite the relatively high 7,3% of GDP spent on education and training. The apparent anomaly arises because aggregate spending conceals wide disparities (racial and spatial) in access to education, says the document.

It adds that average pupil: classroom ratio is 24:1 for whites and 45:1 for blacks. The average pupil: teacher ratio is 22:1 for whites and 40:1 for blacks. About 15% of teachers in black education are professionally unqualified and about 50% are academically underqualified. The problem is compounded by a lack of facilities and equipment at black schools.

As a result, an estimated 5,3m people who are 20 or older are functionally illiterate. This represents 31% of the total population and 41% of blacks in this age group. So it is not surprising to find that blacks, who represent 64% of the economically active population, occupy only 15% of professional, semi-professional, technical, managerial and executive positions.

A similar correlation between income and level of education is found in the informal sector, says the Development Bank. A major educational obstacle is the "absence of a culture of learning" that followed the legitimacy crisis in black education. In 1990, with "universal nominal gross enrolment" of

children from seven to 15 years old, only 84% attended school. Fm 29/10/93

However, there has been a dramatic increase in the black students in technical colleges and technikons. The percentage has risen from 12% of the total student corps in 1987 to 25% in 1992. This will upgrade the future labour force.

Adult education and training are critical. The Development Bank says SA has a relatively well-developed training network and facilities are under-utilised. It suggests various initiatives, including upgrading of technical college facilities, a programme of basic skills training and an adult literacy programme for the economically active population with no or insufficient education between the ages of 20 and 40 (247)

The document, which discusses a number of other areas such as primary health care and housing, is the first step towards developing a macroeconomic policy model. "Most of the work done so far was on identifying needs and programmes to address these needs," says the preamble. "The rest of the work on macroeconomic analysis and economic reconstruction still has to be done."

Development Bank senior economist Carel Meintjes says the model will be discussed next month at a conference attended by economists from political organisations across the spectrum and the World Bank. ■

Productivity Star 26/10/93 ignorance - poll (247)

More than half of South Africa's population does not know the meaning of the word "productivity", according to a Human Sciences Research Council survey.

The survey for the National Productivity Institute used a sample of 2 000 respondents consisting of 1 100 blacks, 400 whites, 300 coloureds and 200 Asians.

Results showed only respondents with at least a matric education

understood the concept of productivity.

"The low level of knowledge of productivity among white and blue-collar workers would indicate that productivity improvement is still largely the preserve of management," said the NPI's Selwyn Lange.

Respondents said the best ways to improve productivity was by way of education, providing employment and hard work.

Labour productivity accelerated this year

B/Say 6/12/93
KELVIN BROWN

LABOUR productivity in the non-agricultural sectors of the economy accelerated in the first few months of this year from the lower levels of recent years.

Figures in the Reserve Bank's latest quarterly bulletin indicate the annual rate of increase in real labour productivity firmed to 1,7% in the first quarter of 1993 from just 0,5% in the fourth quarter of 1991.

The Bank said the improvement in productivity was helped by a fall in the number of workdays lost as a result of strikes and work stoppages since 1990.

In the first quarter, total employment in the formal non-agricultural sectors of the economy contracted a seasonally adjusted and annualised 2,8%, while the economy firmed 2,1%.

Improved productivity and lower worker pay increases caused the annual rise in unit labour costs in these sectors to ease to 11,5% in the three months to March from 15,2% in the second quarter of 1992. The increase in nominal remuneration a worker fell to 13,4% in the first quarter from a 16,5% high in the second quarter of 1992, the Bank said. (247)

The trend towards lower increases in labour remuneration continued into the third quarter, the rate of increase easing to 9% from 11% in the first quarter.

Productivity a sensitive issue

ERICA JANKOWITZ

IF WORKERS' concerns about productivity improvement programmes were not addressed, management-initiated policies would fail, the Innes Labour Brief's Duncan Innes has warned. (3/5/84 22/12/93)

Writing in the latest Innes Labour Brief, he urged managers to consider workers' legitimate fears.

"Workers' main fear of productivity improvement is that it will cause redundancies. The introduction of new technology or attempts to improve efficiency in the workplace through, for example, work study schemes are often accompanied by cuts in the size of the workforce."

To counter this, Innes suggested exploring alternative methods of productivity improvement such as financial incentives or improving job sat-

isfaction. But to sell these schemes to a union or employees, companies should involve workers.

"Workers demand they be involved in designing, and have some control over, schemes dealing with bonuses, profit-sharing or improving job satisfaction." (247)

Innes cited the example of the SA Clothing and Textile Workers' Union, which tabled a list of demands:

- ☐ Productivity improvements would not lead to job losses;
- ☐ Negotiation would be the mechanism used for productivity improvement; and
- ☐ Productivity gains would be disclosed and workers would share in these.

PRODUCTIVITY —

1994 - 1995

GEMENT

New training strategies needed to lift productivity

B1 Day 312194

RAISING productivity is the major challenge facing SA business as it emerges from the laager to compete on the world stage.

Shockwaves swept through industry last year when the National Productivity Institute announced that SA productivity rose just 1% between 1980 and 1990 — less than one-sixth of the rate in South Korea and a third of that in Japan. The figures were all the more alarming because they coincided with falling employment.

Among SA's international competitors, budgets aimed at boosting productivity have ballooned since the mid-1970s. In 1985, US corporations spent about \$20bn on training. By 1990 this had doubled.

Much of this expenditure, however, is wasted because top management usually lacks the commitment to check the results.

US training specialist Vital Learning Corporation, represented in SA by the Workwise Business Development Group, says those companies that did measure the effectiveness of training have pushed sales productivity ahead 20% and cut sales personnel turnover by a fifth.

"Measurement," says Vital Learning Corporation chairman A J Scribante, "is the key to waste reduction." Scribante says there are five stages of growth in human resource development.

Stage one is the "reactionary focus"; Training on the job is seen as the most effective way to maximise productivity and performance.

Companies tend to be heavily focused on sales, market share and pro-

ANDY DUFFY

fit. Their industry is thriving, and in most cases few companies are dealing with large, multinational corporations.

Scribante says such companies run with smaller staff and rarely concentrate on white collar performance. Though a productivity culture begins to exist, it is developed by the lower management levels, primarily through firefighting.

Competition and the need for growth capital leads into the next level, where the focus on cost cutting throws the spotlight on white collar productivity.

Inefficiency

Senior management initially goes for simply axing staff, assuming that remaining staff members can be stretched to cover the duties of their former colleagues. Such measures can produce a quick bottom line result, Scribante says, but usually they hide "the massive inefficiencies still remaining at white collar levels".

Training budgets begin to command greater top management attention, with more cash needed each year to develop and retain key personnel. Such developments push the company's training into "the realm of strategic planning", Scribante says, leading into the third stage.

Here the emphasis moves from directing to coaching and from more control to less. But a fresh training eye is needed. The role of training managers has been established, but

staff often occupy such positions by virtue of their years with a company, rather than their ability to do the job.

With the market for skilled professionals tightening, top management demands higher cost effectiveness from training departments. The company now reaches the level of "customer focus", where the selection of personnel for employment and promotion becomes critical.

A recognition of customer sophistication and demand forces the company to place new attention on quality and service. Training budgets rise as management tunes into the benefits of a properly positioned, trained and motivated staff.

But reaching the nirvana of human resource development — stage five — requires commitment from the highest echelons of a company. This is based on four pillars: strong corporate commitment; a new level of specialist, a shift in the training organisation and philosophy, and extensive training of management responsible for staff development.

With management paying greater attention to the impact of higher productivity on the bottom line, larger budgets are initially allocated to training. In many companies a senior corporate office will be established for productivity and quality assurance. But the expense starts to tail off. "The biggest surprise is that the training programmes will begin to run themselves with initiative and direction coming from the bottom up," says Scribante.

The detailed analysis of productivity gains will allow gradual reductions in the training budget.

SA faces serious lack of managers

MICK COLLINS

SA has a serious shortage of managers despite there being no more important role in organisations, according to National Productivity Institute executive director Jan Visser

Most senior or top managers were of a high calibre but middle management left much to be desired, he said last week in a paper on global competitiveness for SA commerce and industry at a Midland Chamber of economic outlook seminar in Port Elizabeth

Management of human resources involved "placement, training, and proper remuneration". It was the responsibility of management to encourage workers to be productive.

It was often argued that the quality of labour in SA

was low and that the work ethic of the average worker left a lot to be desired. Yet some firms had achieved high productivity using the same labour pool

The difference usually could be found in the quality of management.

"Many SA managers do not understand what productivity means, do not know how to measure it, and do not control the productivity of resources"

"Because managers are not judged on the productivity performance of the organisations they manage, they simply ignore the whole productivity issue"

"We find that autocratic management practices still

prevail in many organisations. Winners of national productivity awards have demonstrated amply over many years that as soon as participative management is truly introduced into an organisation, performance starts to improve.

Visser said firms should become export-oriented and should be managed in such a way that they could deliver the right product at the right price. Profit was determined by productivity and price recovery.

He said there seemed to be a belief that SA should adopt and foster mainly labour-intensive technologies. "Clearly this must be done, provided that such technologies are cost-effective and enable organisa-

tions to compete successfully with other countries

"It is unlikely that this will happen because in SA the remuneration of employees, both white and blue collar, far outstrips their productive performance. There has been a consistent gap of between 15% and 20% between the growth in remuneration and productivity growth

"It will require a major shift in management thinking to ensure that white collar employees become a lot more productive and less dominant in the production process," Visser said

CULLI

Lack of fresh air hits productivity

ANDY DUFFY ^{8/Day} 243/94

THE well-being of staff and their work is not only linked to training and pay — the atmosphere in the office can also be vital.

Research in Johannesburg showed that up to one third of male workers and up to 56% of female staff suffered as a result of Sick Building Syndrome. Symptoms include flu-like despondency, headaches, nausea, throat or eye infections and fatigue.

Unfortunately these are also typical excuses for persistent absentees, which has led many of those companies that are aware of SBS to simply discard it as another health-scare fad. The Council for Scientific and Industrial Research sees otherwise, however. It is pushing for some form of indoor environmental control. 247

Speaking at a Durban conference last week, the CSIR's Richard Truter said a register of "healthy buildings" should be established, not to prosecute offenders but to offer "guidance", with certificates of "wellness" awarded as a form of control.

Air-conditioning in large sealed buildings was a basic necessity, particularly in SA. But vital maintenance procedures were often not followed. A study of SA buildings by Prof Charles Dorgan showed that air-conditioning maintenance standards were generally poor. Given the perpetual threat from Legionnaires Disease, poor productivity and staff morale could actually be the least of a company's problems.

"The issue is not so much the system itself, but how well it is maintained," Dorgan said. "Cost-cutting is a common reason for poor maintenance."

Truter said a business could recoup the cost of improving the workplace atmosphere within two years. In chronic cases such measures could lift productivity up to 50%.

Bonuses lift VW production

MICK COLLINS

VOLKSWAGEN SA recently offered a R1 000 bonus to all workers in a bid to step up productivity and, despite some problems with tax issues, the initiative worked, according to MD Peter Searle.

The company overtook arch-rival Toyota and went to the top of the log in new car sales in January.

"Productivity did improve, but more importantly (the scheme) focused all our minds on a common objective, and in today's turbulent world you really need that."

"With 7 000 people coming from so many different backgrounds — from the extreme left and the extreme right — we very badly needed a strong focus," Searle said.

The scheme achieved better communication because "we were communicating around the company's goals and a goal that had a reward for everybody."

The bonus had helped achieve teamwork "I think it worked pretty well."

The rise in January sales had been a direct result of the bonus. By the end of the year VW had been well-supplied and had made good sales.

Searle said January's achievement was evidence of what could be done if the company got production humming. But consistency was needed. It did "no good" for the workforce to take a week off because of elections or someone dying. "This happens all too frequently, unfortunately, and certain areas will always hold you to ransom if people are unhappy."

When one section of the assembly line stopped working the whole plant stopped, Searle said.

"The press shop supplies the body shop, the body shop supplies the paint shop, the paint shop supplies the final assembly — and any one of them can screw up the works."

The movement of parts was crucial to productivity. If continuity was affected, the line stopped and quality suffered.

But far more growth in productivity was needed, Searle said.

"You want to make more with less, and that



● SEARLE

less is going to be a major stumbling block with the unions and the need for jobs if there isn't growth."

Instead, considerably more had to be produced by the same number of staff. "We are talking about quantum leaps in productivity," Searle said.

A 5% a year increase in productivity was not going to get the motor industry anywhere.

"We have got to think in terms of a 15% improvement," he said. Economic growth and understanding and co-operation between man-

agement and employees were needed to achieve this.

"We need to have an accord. It is no good if political events are always going to disrupt your factory. It is very difficult to achieve productivity with employees who are here today, not here tomorrow and back thinking of other political problems the next day."

Some sort of political peace settlement was needed if minds were to be concentrated on the economics which were desperately important to SA.

Economics had to be put before politics.

Productivity increased purchasing power, which was needed in the market. "That is what we are really looking for. You can have a strategy which addresses broadening our market by improving the earnings of employees."

The informal sector had to be encouraged to solve the problem of high unemployment. Searle said the motor industry was playing an important role as it was one of the country's major industrial players.

"We contribute hugely to the fiscus. We contribute considerably to the labour force and to the earning power in SA," he said.

But there needed to be a consensus among all the players in SA on handling global competition, on creating growth and jobs and on ensuring affordability.

"It's no good just setting up a bunch of rules — you really have got to have the will and determination among the roleplayers to achieve it."

Over the past few years VW unions had been had been at the forefront of unions forcing political change. "We had to understand that. It was at great cost, but that was the objective."

"We were high exposure, multinational, 7 000 people on one site."

"A motor company is very easy to disrupt because it is a continuous flow process. And you are totally dependent on those people", so it was natural for unions to wish to make a point and they had done so successfully.

"But now the political situation has changed and we need to get management and unions now to really address the economics of this country," he said.

NEWSMAKERS

RALPH Judah and Alec Erwin were contemporaries in the student movement during the 1970s. Mr Judah went to the US and became a management consultant, Mr Erwin became a unionist.

A quarter of a century later, Mr Judah met Mr Erwin, now Deputy Finance Minister, to discuss a study on SA industry's competitiveness and to be carried out by Monitor, an international consultancy which has its roots in the work of Michael Porter at Harvard.

The study was agreed to by the National Economic Forum and financed by Trade and Industry, the Industrial Development Corporation and Monitor. Mr Judah opened offices for Monitor in South Africa in 1994.

Monitor's findings were released last week by Industry Minister Trevor Manuel. Reports on the study have generally highlighted the rusty and outdated state of South Africa's economy.

But Mr Judah, and fellow co-ordinator David Green, who comes from Bristol and studied at Harvard, say they "are not pessimistic at all. There are signs for optimism."

They stress, though, that South Africa has to meet five criteria to transform non-competitive industries into ones which can compete in global markets, earn foreign exchange and provide growth and jobs.

- Create strong industrial clusters where supporting firms and industries assist in creating competitiveness.
- Create world-class strategic capability within firms and the govern-



UNITED ON RIVALRY

David Green and Ralph Judah, co-ordinators of the Monitor survey on competitiveness



Pictures HERBERT MABUZA

Champions of competitiveness

ST(BT)16/4/95 (247)

ment,

- Develop machinery, skills and work organisation,
- Create high rivalry among firms,
- Create a highly capable bureaucracy

Mr Green says creating high rivalry is the most important of the five. Monitor has made two presentations to the Cabinet and has been ques-

tioned on how to promote rivalry. They stress that conglomeration is not necessarily bad for rivalry. Nor is vertical integration always bad — indeed, in some cases vertical integration may help promote competitiveness.

"Vertical integration is bad if it reduces rivalry," says Mr Green. He says options to improve rivalry

include using existing competition tools and institutions reducing trade barriers and promoting foreign direct investment.

Too many SA companies try to do too much themselves.

They try to run every aspect of their own business rather than contract out work such as janitorial services. This can impoverish rivalry in

the support cluster by reducing competition in the market for janitorial services.

Government procurement policies can help promote rivalry, for instance, by demanding that products comply with (or exceed) international standards.

Privatisation, where the privatised entity is required to compete

with other private sector companies, can also boost rivalry.

Mr Green notes that debate centres on whether state entities should be privatised with monopoly powers intact, giving the government a higher price for the entity, or whether privatisation should be used to help raise the competitive temperature.

While the former option gives greater proceeds for debt reduction, the latter typically leads to greater growth and more tax revenue (which can be used to retire debt).

Monitor believes that South Africa has "three to five years" to see material progress in all five areas it has identified which need attention.

Both the Trade and Industry Department and the Industrial Development Corporation are already restructuring to focus on cluster-type solutions. They say the policy environment is now stressing a move away from government largesse towards *laissez-faire*.

The scrapping of the firmard, lower tariffs, cutting subsidies, freeing up the JSE and promoting small and medium-sized enterprises are all helping raise the competitive temperature.

Mr Judah, who has specialised in the textile sector, says textile firms will have to become competitive within the next three to five years even if government gives them a 10-year umbrella.

He says US firms have achieved dramatic turnarounds in four to five years. In South Africa there are cases where such turnarounds have been achieved in just two years.

If a company cannot adjust in three to five years "it's goodbye Charlie, no matter what".

Kevin Davie

Productivity slump hits top two Anglo mines

ANGLO American, unveiling its results for the March quarter yesterday, said it had experienced various problems at Vaal Reefs, Western Deep Levels and Freegold.

The quarter was characterised by revenues lifting an average 5%, but this was more than offset by a 7% cost increase. MD Nap Meyer said productivity problems had hit Freegold and Vaal Reefs, the group's two biggest mines. As a result distributable profit for the group as a whole fell 4% to R263,5m.

Freegold's distributable profit fell 9,3% to R114,6m and Vaal Reefs' 8,4% to R65,9m, while Western Deeps' increased 12,1% to R47,5m, Elandsrand's fell 1,7% to R20m, and Ergo's lifted 27,5% to R15,6m.

Gold and uranium division chairman Clem Sunter said all the mines' forward sales commitments were restructured during the quarter.

In common with most gold mines, a number of Anglo American mines had benefited from an overall lower

BARRY SERGEANT

tax charge for the quarter, after the lifting of lease imposts.

Freegold's production for the quarter was 10,2% lower at 25 272kg (28 147kg), reflecting a 3,8% decline in tons milled and a 6,7% decline in the average yield to 4,33g/t (4,64g/t). Meyer said average quarterly production is expected to improve in the financial year to March 31 1995.

Meyer said gold production for the 1994-1995 financial year was now anticipated to be lower than that for the 1993-1994 financial year.

Freegold declared a final dividend of 200c for the year to March 1994. This makes a total distribution for the year of 390c, up 59,2% on the previous year's total of 245c.

Vaal Reefs' gold production fell 6,8% to 17 928kg, reflecting lower tons milled and a lower yield. Capital expenditure on the Moab project (Vaal Reefs No 11 shaft) was maintained at R34,6m.

Regional GM Dick Fisher said the sinking of Vaal Reefs' No 11 main shaft was resumed during the quarter following the completion of the 1 200 level pump station. In the South Lease area, gold production fell 12% to 9 364kg.

Western Deeps posted an 11,8% increase in distributable profits for the quarter.

Elandsrand increased gold production slightly to 4 280kg. It posted the smallest increase in costs for the period of just 0,4%. It continued to move towards a fully taxed situation, with tax provision up from R2,9m in the previous quarter to R15,3m. It had milled an average of 178 000 tons a month during the quarter, and continued to drive towards the 200 000 tons a month "magic" level.

Ergo, the surface operation on the East Rand, treated 11,7-million tons of material during the quarter. Its gold production increased 13% to 3 677kg. After a 4% rise in the gold price received, pre-tax profits increased 73,8% to R33,3m.

ANGLO AMERICAN March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Freegold.	5 833	4,33	25 272	156	36 050	42 431	179 332	117 700	99
December	6 066	4,64	28 147	150	32 341	40 177	167 674	127 003	107
Vaal Reefs	2 806	6,39	17 928	186	29 118	40 971	141 246	65 891	345
December	2 951	6,52	19 239	176	27 010	39 342	217 502	71 909	376
Western Deeps	1 617	6,27	10 138	179	28 549	41 206	110 261	47 400	171
December	1 688	6,64	11 210	183	27 486	39 728	118 929	42 340	153
Elandsrand	543	7,88	4 280	201	25 531	41 010	53 749	19 968	21
December	548	7,78	4 264	198	25 440	39 674	60 914	21 594	23
Ergo	11 693	0,31	3 677	—	—	41 076	25 762	15 580	30
December	11 583	0,28	3 255	—	—	39 517	17 185	12 225	24

Productivity debate rages on

South Africa 26/8/94

By Mzimkulu Malunga

PRODUCTIVITY always features prominently whenever there are debates between employers and unions

Employers believe unions are irresponsible for demanding high wages because South Africa is among the lowest-ranking countries when it comes to productivity

If SA is to compete effectively in international markets, the issue of productivity has to be addressed as a matter of urgency, employers argue.

Unions, on the other hand, say productivity should not be isolated from the rest of the issues facing the SA economy.

Instead, it should form part of an overall plan to reorganise the country's economy.

Organised labour contends that in the past employers abused the term productivity for their own selfish ends.

Workers were made to produce more, while company owners pocketed the profits without reinvestment. This resulted in the retrenchment of workers, says Neil Coleman of Cosatu.

However, there is consensus that while the issue of productivity needs to be addressed, other issues influencing productivity should also be taken into consideration.

Some economic commentators say the focus should not be only on workers but also on management

SA managers cannot pride themselves on being among the best in the world, but very few companies are prepared to tackle this side of productivity.

Economist Kenneth Kotelo says most businesses like complaining about high wages and low productivity, conveniently forgetting that their wage bills include managers' salaries as well. (247)

He says the majority of SA workers live far from their workplace and this also affects their productivity

Coleman and economist Nick Barnardt agree that workers should form part of the decision-making process in companies

But the two differ on emphasis. While Coleman prefers to see workers having the right to veto management decisions, Barnardt prefers employee-employer consensus

"Veto sounds a bit negative, I prefer consensus," says Barnardt

Investment in human resources, says Coleman, should be made a priority to cultivate a sense of belonging among workers

"Employers should stop regarding labour as an expense, but rather as an investment," he says

While some appear to have pinned their hopes on proposed labour legislation reform, the real problem seems to be one of attitudes

Before this changes SA is still a long way from resolving the crucial issue

Managerial talent needs nurturing

JOHN DLUDLU

SA was faced with the challenge of developing its managerial talent to lift productivity levels, newly-elected SA Institute of Management president Junior Potloane said in an interview. It also had to increase the skills of its business leaders.

"The management cadre in SA is not sufficiently equipped to deal with the problems of the day," said Potloane. (247)

A related challenge would be to tap into the potential base of SA's talented blacks, who were previously denied opportunities.

"We should not lose sight of the fact that the majority of this country's people have been excluded from management positions despite having the necessary potential."

During his tenure as president he would attempt to steer the institute in a direction that would enable it to address this challenge.

The institute would have to play its part in helping develop black managers so that they realised their full potential.

"I hope to bring the membership's attention to the critical issue of training," he said.

He would campaign strongly for the institute to maintain its existing programmes geared towards management development.

These projects included the SA Management Development Programme and a management course for school headmasters.

"Another crucial thing we hope to

address this year will be to find ways of acknowledging people who have sufficient competence and expertise but no management responsibility."

With this in mind, the institute would liaise with training institutions and key role players, he said.

"We'll be investigating either giving outright recognition for potential and expertise, or setting criteria to be met. We'll look at the experiences of other countries in this regard."

Referring to affirmative action as a tool for correcting gender and race imbalances in corporate SA, he said "My bottom line is that there has to be proper development of potential and competencies."

Efforts to implement affirmative action had been a dismal failure. "There is no evidence of any successes of affirmative action in SA."

Business was perilously close to being the subject of legislative intervention. "I think companies will have to implement affirmative action within the next 12 months to avoid government-imposed quotas."

Potloane, who was inaugurated last Friday, succeeds Palamin director Wells Ntuli as president of the institute and is the second black person to hold the post.

He recently vacated his position as GM of the Development Bank of Southern Africa to join Nedcor as GM for personal banking.

Potloane also serves as a trustee on several boards of non-governmental and professional organisations.

LEADING ARTICLES

"We realise our job security depends on productivity, especially once Gatt comes in," says national organiser Chris Lloyd "We will assist the process at plant level to encourage working flexibility"

Lloyd believes the gap between income earned by managers and those earned by workers should be narrowed "Nowhere in the world have I seen such great disparity"

Numsa is asking for a 12% wage increase which, it says, doesn't have to be paid across the board

Lloyd believes the route to productivity growth is through improving skills He says literacy and numeracy rates of less than 40% are found in SA compared with up to 90% internationally

This is just one of the many remnants of apartheid and it must be rectified But what has to be remembered by unions when negotiating wages is the fact that they and their members are part of a fortunate group of people who do have jobs

SA's largest problem is the proportion of unemployed — often estimated to be as

much as 40% of the economically active population

A World Bank study estimates that increased union activity raised black real wages in the SA formal sector by about 15% above what they otherwise would have been from 1979 to 1990 "Higher wages have led to a lower demand for labour — though the magnitude of this effect remains in dispute," a recent report says The study estimates that, in the absence of the 15% union-induced increase, formal black employment would have been 200 000-400 000 above the present 5m

The problem is compounded by the fact that employers who are tired of increasing labour costs without the corresponding increases in productivity are turning to mechanisation (247) (355)

Many of the employed now are in danger of joining the masses of the unemployed



Levy

The problem of productivity can be addressed only by both management and unions teaching staff and members what it means Staff must be told that higher wages are not an impossibility but they come with a condition — productivity

Staff must also be taught about costs per unit produced and shown exactly how SA compares with its international competitors

Workers must understand that without productivity — and management must realise that labour is only a part of

productivity — the woes of the country will get worse The cynical might say we don't have time to change the work ethics of an entire nation They might be right

But if countries such as Malaysia have been successful — it undertook a successful structural change to its economy — the cause is not yet lost

THE NEW WAY OF DOING BUSINESS

SI Times

21/8/94

247



HARD AT WORK ... but hints of 'labour troubles' are making SA firms' foreign customers jittery

Picture RICHARD SHOREY

don't talk like that' The MPs don't have offices, or even constituencies, but the people know where the union offices are, and they see us as neutral. The unions listened to them before the elections, before there was a government of national unity.

"We are negotiating now for recognition and access to the workers on the plant — but all companies would like to keep the unions as far away as possible, and this firm is no exception."

But if the only thing predictable about employees in South Africa is that they are unpredictable, the one certainty about labour is that "costs will increase at a much more rapid rate"

Productivity simply has to rise apace.

"There is a very high rate of absenteeism — through genuine illness, or a hang-over, or people just not feeling like coming to work," he says.

agement's problem. We weren't about to walk around telling the people — hey, your tea break is too long, or why weren't you at work yesterday," says Mr Ngcobo.

"We have to be very careful to be seen to be representing the interests of our members, not pushing management's line."

"But productivity is not just about arriving at work on time. If the machines

aren't working, or the workers are unhappy in their jobs, productivity suffers."

"We want our people to be trained up to better skills, and we realised that we could not talk about multi-skilling our people without addressing productivity."

"It won't be easy. Our members understand the concept of productivity and, of course, they think it's a good thing — but, when it comes to

your own workplace, you always believe the company is greedy, that the boss is out to get as much as he can squeeze out of you — why should you work harder just for him?"

The firm trains its workers constantly — it needs to, for the specialised work involved — and, in March, it began an eight-month training course that will "create a pool of people from which we can draw future managers," says the MD.

But Mr Ngcobo says "They really should involve the union in this training. I don't think companies like this realise that they must not take decisions that affect the workers without consulting them, and that means us."

A Scottish production manager who has been with the firm for years has witnessed the change from a predominantly white to an almost exclusively black supervisory staff.

"One thing I have noticed about black supervisors is that they have difficulty being assertive enough," he says.

"When things are flowing well here, everyone works together as a family."

"But when there are wage negotiations, we need the total support of our supervisors — and they are put in a bit of a spot."

"There is a lot of intimidation for them to join with the workers then — but, you know, I remembered being forced to go out on strike when I was in the UK. It's not so different."

It is for "family firms" that have always resisted a unionised workforce and are only now being targeted by unions, as this one is being.

"We have always sorted out our problems ourselves, here at the plant. This is like a family," says the MD.

Says Mr Ngcobo "At these smaller firms, the employer says his door is always open, but he is talking about supervisors. The lower paid workers never come near his door."

"I understand that it is a headache to always consult someone else over what you want to do, particularly when you are used to running the whole show yourself, as managers of smaller plants like this are."

"I don't blame the firm if it got a big fright with the wild-cat action in June. They are not stupid to worry about that — but they must talk to us," he says.

"We have no intention of letting the plant down as far as work stoppages are concerned, but they must accept the union is here to stay."

S/Times

21/8/94

Back on the factory floor, one of the scores of hulking green machines bears a sticker, "This machine pays your wages. Please look after it", five steps away stands a fully automated machine that does a similar job and needs no wages

"We keep a balance between automation and labour," says the MD. "Although automation has increased, so has our output, so the number of employees has remained almost constant for the past 10 years."

AND where else but in South Africa would a factory post a notice, as this one does, warning employees that smoking dagga at work is a firing offence

Even the impromptu roadside meeting Mr Ngcobo holds with a group of members at another factory nearby takes place in a haze of dagga smoke as workers take their lunchtime toke.

"We had always believed that productivity was man-

S Times | 21/8/96

**Now that the election dust
has settled, management and
unions are learning the often
bruising new way of doing
business in South Africa.
CLAIRE ROBERTSON reports**

LIFE isn't fair. You watch helplessly for four sickening months while spooked customers stop ordering your product, de-stocking their shelves as fast as jumpy households stock up on long-life milk and baked beans before the elections — but you survive

You watch valuable employees choose to be unemployed in England rather than live with the turmoil of pre-election South Africa — and you absorb the blows

You make it through the transition, the recessions, the sanctions — and still you manage to keep 600 people employed and turn a profit

And then the workforce takes wildcat industrial action

You manage to weather even this crisis, biting into profits to meet orders anyway, breaking your back to see that the product is still cut, ground, packed and shipped.

But the merest whiff of "labour troubles" has caused hard-won foreign customers to question your reliability

"I sense there's an African connection here — they wonder whether we are about to end up like the rest of Africa"

Says the MD "Perhaps it is just that, like the rest of us, they are nervous of a new situation, but you don't let the overseas market down. It is just too difficult to get the customers back. They'll just refuse to see you, say you've let us down"

"Losing a customer is like losing blood"

Only about half of the firm's employees belong to the National Union of Metalworkers, and the labour troubles, when they hit in mid-June, were almost laughably mild for one week the workers refused to do any overtime

But, aware that no South African firm can afford even a suggestion of labour unrest, management switched freight from ships to aircraft to meet orders, at "more than double the cost"

"You can imagine what a ton of steel costs to send by air versus ship," says the MD

for the first time.
And you have done nothing wrong

This, give or take a crisis, is business in the new South Africa as experienced by management, and the actual experience of an average, medium-sized, quietly profitable factory in the Natal Midlands.

The minor labour hiccup — by South African standards — has left management of the firm intensely sensitive about labour relations and, although the managing director allowed the Sunday Times to speak to a range of employees, he preferred that all names, including that of the firm, be kept out of the newspaper

The firm, housed in one of a sprawl of low-slung, face-brick factories on the edge of a town, makes engineering equipment using imported materials and a mixture of high and low technology

It is the sort of firm the new government is crying out for, being involved in manufacturing as opposed to producing raw materials, and export driven, with 40 per cent of its sales going to 54 countries

It is untroubled by the planned end to the lucrative General Export Incentive Scheme next year — the money was "only ever the cherry on the top for us," says the MD

But the export manager, who brims with pride at the contacts he has made in his 30-odd years with the firm, has noticed a frightening tendency among his customers "During the height of sanctions not one of them ever worried about whether we would let them down — not a single one."

"Recently they are saying to me, 'Are you sure you can remain a reliable supplier?'"

THE reason for the wildcat action by the newly unionised employees? They wanted a "salary adjustment", more or less to mark the advent of democracy

An Indian supervisor describes the feeling on the factory floor after the elections "In the beginning there was a feeling that now we would sweep the floors and they (black workers) would man the machines"

Numsa local organiser Petros Ngcobo says there was actually a range of demands, most of them unrealistic and, yes, they were the fumbling first steps of a newly unionised workforce

"There were things that had bothered the workers for a long time — they wanted two bosses sacked, a salary adjustment, a long-service bonus"

"We spoke to them, pointed out that the long-service bonus was the only legitimate demand, and indirectly negotiated with the firm. We helped end the overtime boycott."

The elections were very good for union business

"We have seen a big growth in membership at that plant — all over — since the elections. There are two reasons for this. I think the elections made people realise they were all equal for the first time. Unions weren't just for black workers, or the lowest paid"

"And there was a feeling that, with the vote, people's lives would change. So they are still waiting for houses, for free schooling, and all they see is MPs in Mercedes or BMWs."

"They can't go to the ANC and complain. They will just be told 'Now listen, comrade,'

Productivity the way – Mboweni

Star 9/9/94

■ BY CHRIS WHITFIELD
POLITICAL CORRESPONDENT

Cape Town — Labour Minister Tito Mboweni has bluntly rejected suggestions that labour wage costs should be suppressed and said the country should instead follow a path of higher productivity

Opening debate on his budget vote yesterday, Mboweni said South Africa had two choices

The first was to "orientate ourselves upwards to compete on quality, reliability and innovativeness", the second that "we orientate ourselves downwards to try to beat the Chinas and Indone-

sias on cost"

"We have no hesitation in recommending the high productivity path . the most durable and sustainable path "

Simply to repress costs, particularly wage costs, would invite conflict and delay the country's entry into world markets "conditioned on reliability and quality"

"That is not to say that cost, including wage cost, is not significant. Naturally it is — but we will reduce cost by focusing on increasing the output associated with each unit of input "

Mboweni said it was well known that the labour market was "currently characterised

by high unemployment, deep divisions and skill shortages"

Productivity was too low to compete with countries like the US, Australia, Canada and European countries — "even though their wages are far in excess of ours" (247)

"On the other hand the cost structure of our manufacturing sector is too high to compete with some low productivity and low wage economies like China and Indonesia "

Mboweni played down recent "hysteria" over industrial action, saying the strikes were "neither out of the ordinary . nor have they damaged business confidence".

'Day of reckoning' arrives for SA

From MAGGIE ROWLEY
in MMABATHO

EMPLOYERS' day of reckoning had come. Productivity — essential if SA was not to be doomed to poverty — had to be rewarded.

Issuing this warning at the 89th Bifsa congress here, executive director of the National Productivity Institute Jan Visser urged that cognisance of this was as important as workers taking heed of the fact that low productivity could not demand high remuneration.

While productivity in the manufacturing industry had abysmally lagged remuneration this did not appear to be the case in the construction arena. In fact it appeared that increased productivity had

outstripped wage increases.

The building industry, he said, had a vital role to play in the realisation of the RDP.

Without increasing productivity in all sectors to enable SA to become more competitive internationally, there was little hope of getting around the balance of payment constraints on economic growth to enable the country to achieve the RDP goals.

He pointed out that while labour productivity in the building industry was higher in 1992 than in 1981, it was then still 10% down on the peak reached in 1984 due to the difficulty of maintaining productivity standards in a phase of economic decline. Emerging from the recession with employment levels down about 25% and many skilled people

"lost", the industry, would be hard pressed to deliver what was required of it.

"It is important for industry, to adjust to the new and taxing demands it will be subjected to. It will be required to completely rethink worker training and management skills development. Training will have to be competency based and management will have to learn how to empower newly trained workers to fully contribute to the productive functioning of the industry."

This was echoed by other speakers including author and former MD of Cashbuild Albert Koopman, who said management had to move away from a white, Euro-centric and chauvinistic understanding of its labour force and management styles and de-

velop Afro-centrism if they wished to increase productivity.

Employers, he said, were perceived by labour to be "illegitimate" in spite of their owning the means of capital.

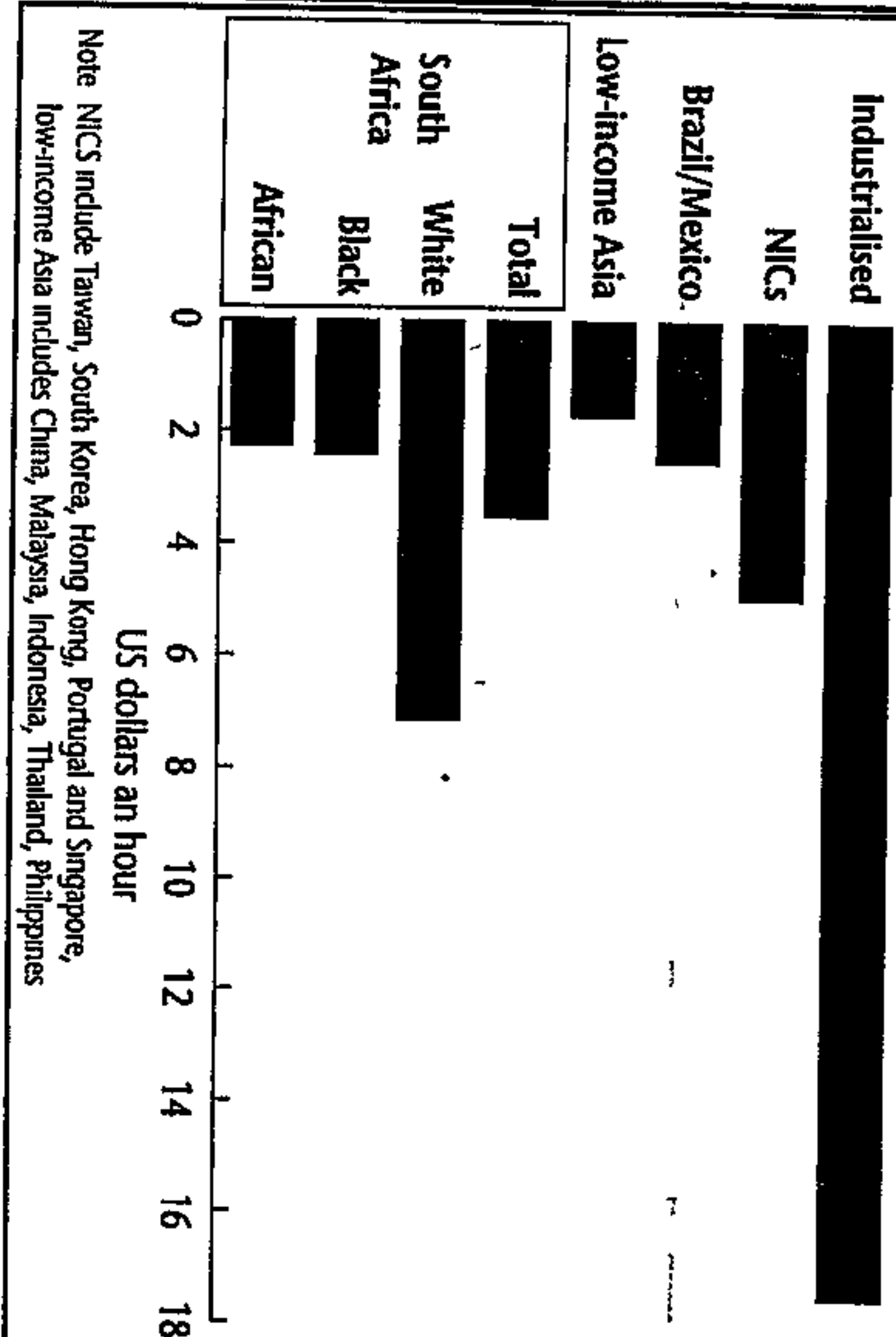
"To lay the foundations of legitimacy will require managements to move away from the US/then management power position of old.

"It will require a process of democratisation in the work place of devolving power and accountability throughout the ranks. Management also needs to become accountable to the work force.

"When managers go out and drink at lunchtime it is called socialising. If the work force does so it is another story. The same rules need to apply to all."

247
employers
13/19/94

EARNINGS IN MANUFACTURING IN SOUTH AFRICA COMPARED WITH OTHER COUNTRIES



Note: NICs include Taiwan, South Korea, Hong Kong, Portugal and Singapore, low-income Asia includes China, Malaysia, Indonesia, Thailand, Philippines

Graphic: FRONIA KRISCH

Source: LABOUR BULLETIN

Productivity debate

By LAEL BETHLEHEM and
NEVA MAKGETLA

JUDGING from recent coverage much of the press clearly believes that workers are underworked and overpaid. They claim that SA manufacturing workers

- Earn more than workers in other countries,
- Are unproductive because they "do too little work",
- Should practice wage restraint in order to allow the economy to grow.

Our research suggests that these claims are misleading and we can show this by answering three questions

Do South Africans employed in manufacturing earn more than their counterparts?

The average earnings of South Africans employed in manufacturing are not high on an international scale. The accompanying graph shows that

- Average hourly earnings in SA manufacturing (including wages and salaries) are less than one quarter of the average paid by the top 10 developed countries and lower than in the newly industrialised countries like South Korea and Taiwan

- These averages include the earnings of both workers and managers. The National Productivity Institute has recently estimated that of the average earnings, 60% of the total is made up of salaries (white collar workers and management) and only 40% is made up of wages (blue collar workers).

This can also be demonstrated by looking at earnings on a racial basis since most whites employed in manufacturing are supervisors and managers while most blacks are shop-floor workers.

Research shows that the average white earnings in manufacturing are indeed high by international standards but that black earnings are low. Since trade unions largely organise black workers, it is impossible to maintain the argument that unions are "pricing South Africa out of the market".

Do SA workers "do too little work"?

Labour productivity is not simply the result of how hard workers work. Most measures of "labour productivity" only tell us how much is produced in relation to the number of people employed. But productivity is really about how efficiently we use our human, raw material and capital resources. It depends partly on decisions made at the national level and partly on those made at plant level. Since workers in South Africa have limited influence over decision-making at either level, it is difficult for them to have more than a passing effect on productivity.

Workers could play a role in improving productivity if they could influence decisions ranging from investment plans to eliminating waste and defects in the plant. But until workers are given more influence, their contribution to productive improvements will be limited.

Are higher wages bad for the economy?

The countries which have grown rapidly in the last few years are those with a more

equal distribution of income. Indeed, low wages can reduce productivity and limit workers' ability to buy goods. In any case, overall earnings have been shrinking as a proportion of the value of what is produced in manufacturing over the past 20 years. The share of blacks' earnings has grown, partly as a result of the promotion of black workers to more skilled positions. This growth, however, has not pushed up the total, since white earnings have declined as a percentage of the overall value of production.

These trends have helped to overcome the enormous distortions in incomes introduced by apartheid. These figures suggest that blacks' earnings in manufacturing could continue to rise without pushing up the overall wage bill. Even if the earnings of all race groups rise to some extent, it will still be some time before the levels common in the 1970s will be reached.

This is an edited version of an article taken from the September 1994 issue of the SA Labour Bulletin.

misses the point

Management blamed for low productivity

2/11/94 (247)

By ARI JACOBSON

SOUTH AFRICA'S poor labour productivity is a "failure of management", said University of Cape Town's (UCT) economic's department director Philip Black this week.

Black was partaking in a panel discussion, after a keynote speech by leading Japanese economist and University of Seikei professor Ryokichi Hirono.

The discussion revolved around the success of the Asian economies and its application to SA.

Hirono had alluded to the fact that "a disciplined work ethic" was part of the success behind the Asian continent.

Black, in response, said that SA management had failed to motivate the worker to be hard working and disciplined.

"Managers are not doing their job," stressed Black.

Hirono pointed out that the Asian workforce was "well-educated", which Black did not consider appropriate to the local situation.

Black said that the country's training and education should be geared towards "current and future labour

requirements.

Here he suggested that there could be a re-orientation towards technology, engineering and other areas of research and development.

Hirono also attributed the strong economic performance in Asia to high savings, a larger focus on entrepreneurship and constructive linkages between the corporate sector, labour and government.

Black stressed it was imperative for the SA government to create an atmosphere in which corporates and entrepreneurs were willing to invest as well as take risk.

He said this coincided with stable macro-economic policies, positive real interest rate and more importantly confidence in the country's future so that savings were encouraged.

Hirono had also mentioned that the Asian continent relied on Japan to lift the developing economies in its midst, by supplying technology, investment and know-how.

Black said that SA "does not have a Japan to rely on" and this would require an extra effort to be successful.

However he said that in the future SA could be the little Japan of Africa.

Survey finds big swing to incentive schemes

A GROWING number of companies are implementing performance-based pay schemes to increase productivity and staff motivation, management consultant FSA-Contact has found.

In a recent paying for performance report, FSA-Contact's Harriet Webster found 66% of companies surveyed had some form of incentive pay scheme, while two-thirds of those which had not followed this route intended introducing schemes in the near future.

More than half the respondents reported that schemes had been in place for less than three years, Webster found. This indicated the schemes' growing popularity.

"It may also be a result of the economic recession and an attempt by organisations to contain unnecessary costs and increase productivity by implementing performance-based pay schemes," Webster said.

She also found that many companies had had problems measuring performance in certain job categories.

"This is illustrated by the fact that of the senior executives who were eligible for bonus rewards in the past year, 72% actually received bonuses as opposed to only 9% of general or clerical staff for whom organisations struggle to identify

ERICA JANKOWITZ

valid and reliable measurements of performance."

Webster said senior executives, middle management and sales staff were most often covered by incentive-pay schemes, but some schemes had been extended to include professional, general and clerical staff as well as artisans, drivers, cleaners and apprentices.

Most participants reported positive feedback from staff, with 26% reporting higher levels of motivation, 20% increased commitment, 15% enhanced awareness of corporate goals and 10% increased productivity.

Other benefits mentioned were improved teamwork and quality of services or products, increased revenue and cost containment.

"Not one company stated that its employees' response to incentive schemes was 'very negative'."

"Indeed, 33% said the response had been 'very positive' and 51% 'fairly positive' while 11% said their employees were non-committal and 5% 'fairly negative'," Webster said.

A graphic complexity ⁽²⁴⁷⁾

WM(BM) 18-24/11/94

Just as the wages of sin is death, the wages of low productivity is poverty.

Reg Rumney reports

GRAPHS sometimes mean nothing and sometimes they actively mislead. Sometimes they even impart information.

Take, for example, the graph published in an extremely valuable little book compiled by the Trade Union Research Project, *A User's Guide to the South African Economy*.

The book, profusely illustrated with graphics and cartoons, makes a real contribution to educating ordinary people about the economy. It is written in an accessible manner and seems to avoid oversimplification or bias — until the section on wages.

"Unions are often blamed for wage demands that are too high," reads the section. "(The graph) compares the annual wage increases of unionised labour from 1989 to 1993 to the inflation rate for these years. It is clear that in 1991 and 1992 average wage increases were below the inflation rate and in 1993 exactly at the inflation rate. This means that real wages declined in 1991 and 1992 and remained constant in 1993."

In backing up an argument that unionised workers' wage demands are not too high, the graph is worthless. All it shows is that workers did not get as high an increase in one year as they did in another, and that in some years the average wage increase did not match inflation.

Look, though, at a different graph from the National Productivity Institute which shows, in manufacturing only, the actual increase in earnings per worker over much longer period. The increase is steep — and is closely tracked by inflation. This means manufacturing employees got little benefit from their years of increases.

The conservative economic argument is that wage increases without productivity improvements contribute to inflation by, simplistically, pumping too much money into the economy to

chase too few goods.

So worker's increases are like the dangling carrot supposedly attached to a donkey by a stick. Apparently, good wage rises are eroded soon enough by inflation, in turn caused by those wage increases. Secondly, the period used by the authors coincides with one of South Africa's longest recessions.

One would normally expect wage and salary demands to be moderated during a period when workers were being retrenched on a wide scale and businesses going under. It is testimony to the power of the trade union movement that wage rises were so near to inflation in such a period.

But looking at increases in earnings does not even scratch the husk of the debate over wages.

What is clear from the NPI graph is that productivity — and earnings adjusted for inflation in manufacturing — have both remained static. The NPI says there is a direct relationship, and adds that rapidly increasing wages hasten mechanisation. It advocates granting wage increases "with circumspection", and quotes Oxford University economist Ian Little as advising companies investing in developing countries to "maximise employment and hence maximise the total wage bill paid, rather than maximise the individual wage".

The NPI argument is familiar: giving more and more money to a small group of employed workers does not help the vast pool of the unemployed.

The union argument — echoed by Minister Jay Naidoo recently — is that we will never compete with low-wage economies and will have to have a high-wage economy selling manufactured goods with a large "value-added" or extensively processed components rather than commodities or cheap goods.

The usual example is stainless steel pots rather than iron ore.

The problem is how to get to the level of the newly industrialised countries (NICs) without first producing cheap goods, and then increasingly adding value to goods which command higher

prices.

Former labour lawyer and author Frans Rautenbach has argued that the sweatshop route may be necessary. Hong Kong started as a low-wage, cheap-jack economy, but now pays higher wages and produces better goods.

Indeed, it has been shown that higher wages in themselves can boost productivity, and unionists are fond of mentioning this too.

Yet productivity experts from Japan and the NICs visiting South Africa earlier this year insisted that an increase in productivity must come before

higher wages.

The authors of the Turp book accept productivity must increase — and say that the blame for poor productivity cannot be laid at labour's door.

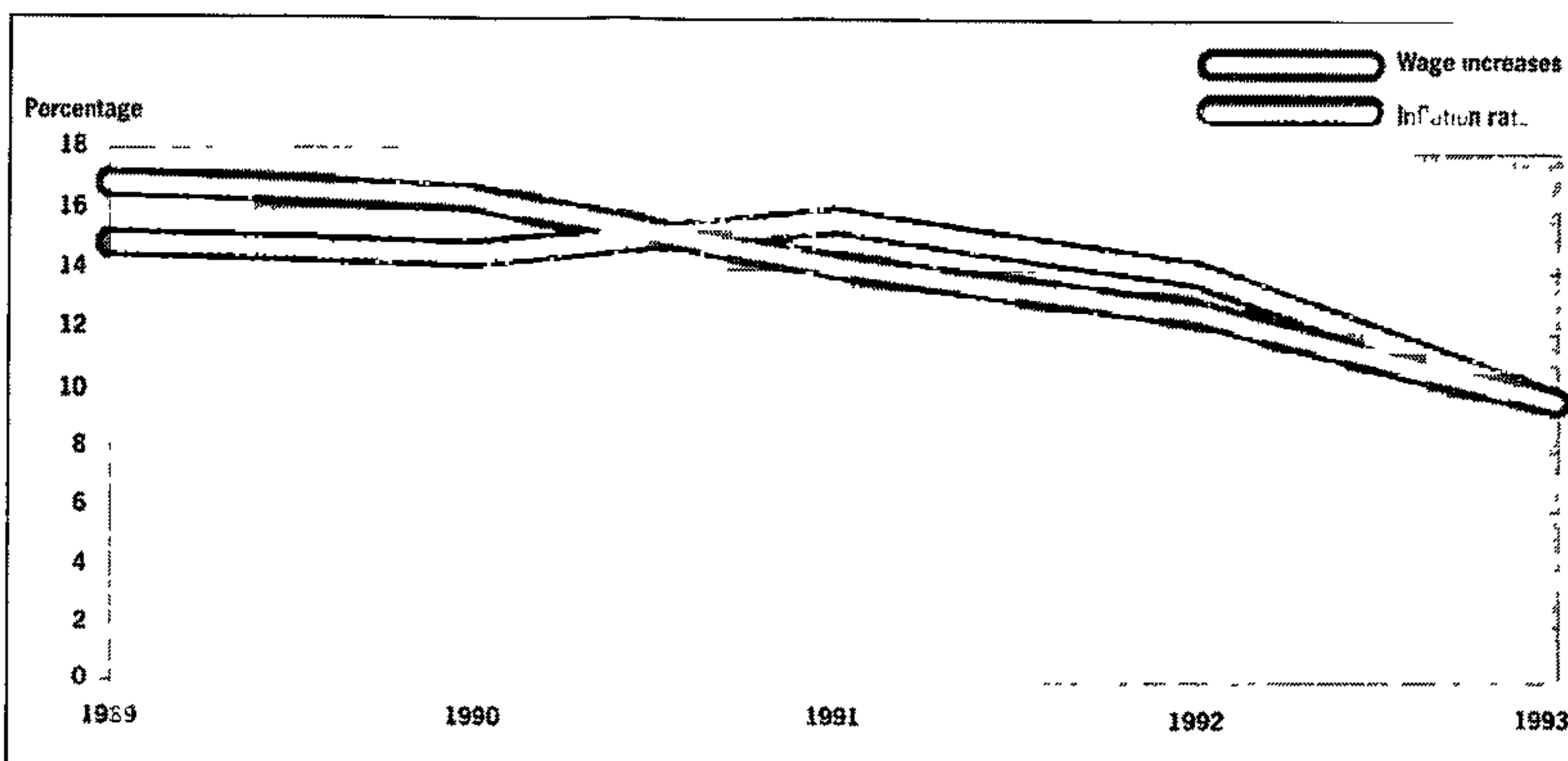
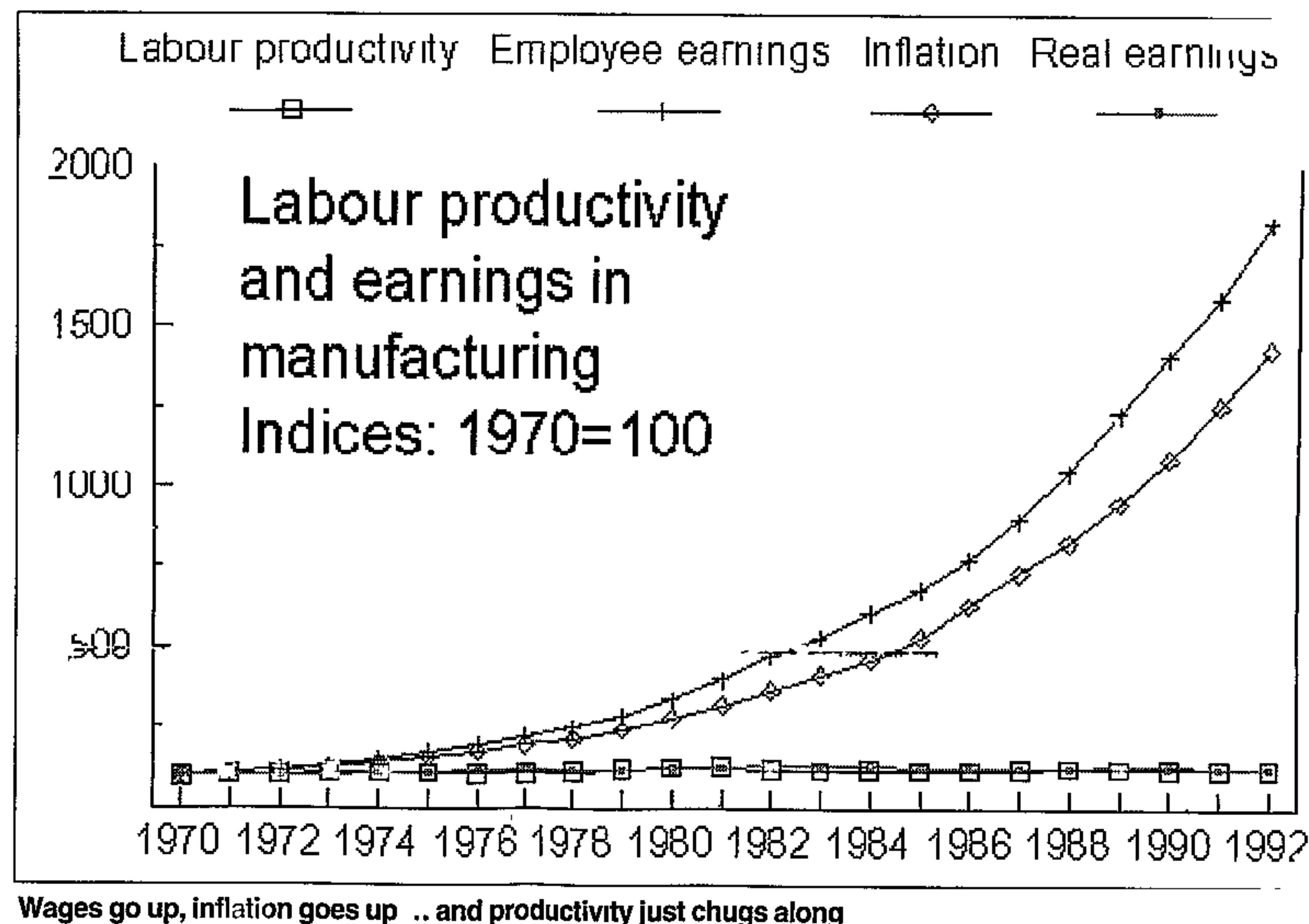
"The apartheid system, poor education, the long distances that people need to travel to work, the conflictual relationships at the factory and the poor health system are just some of the factors that have an impact on productivity levels in South Africa," say the authors.

Perhaps the main barrier to better winning the battle against those developing economies who are our natural

competitors, is the severe — and racially based — lack of skills in South Africa. This is manifestly documented in the Turp book.

"In South Korea, there are 20 technicians for every engineer, whereas in South Africa there is not even one technician for every engineer. In Japan, 7.1 percent of the population are scientists and engineers. In South Africa they comprise only 0.3 percent of the population."

A User's Guide to the South African Economy, Trade Union Research Project, published by Y Press, R49,99



What does this graph show? Only that percentage increases in one year differed from increases in another

Labour productivity dips again

By Day 24/11/94
MICHAEL URQUHART

LABOUR productivity in the gold mining industry — which had been improving since 1990 — has dipped again this year, Chamber of Mines figures show.

Chamber figures on employment and gold production for the third quarter of 1994 show that less gold was produced a worker among chamber members compared with the same period the previous year.

The employment situation was levelling out after a downward spiral over the past few years. From the third quarter 1993 to the third quarter 1994 employment fell 2%.

But chamber chief economist Francois Viruly said the situation was levelling off as the profitability of the industry improved with the higher gold price. Most mines had cut their workforce to the point where further cuts would produce only marginal improvements in productivity.

The labour situation was likely to remain stable as long as productivity

in the industry could be maintained. Viruly said if mines could no longer cut their workforces to remain profitable, any fall in employment would come as a "big bang" when unprofitable shafts or mines were closed.

But he said the mining industry had shown its resilience over the past few years to a low gold price.

New projects under way, such as Target and Oryx, could provide a boost to employment, but the industry was unlikely to see a big turnaround in the employment trend.

The major factor influencing employment levels would be whether the industry could remain internationally competitive.

An analyst said the fall in productivity this year was worrying, but should be seen against the backdrop of the disruptions caused by the election, and the lower grades mined as the gold price improved. (247)

Good seating can increase productivity'

Business Reporter

WANT a productive workforce? Make sure they are sitting comfortably, says the marketer of one of the leading brands of office seating

According to Isla Galloway, a director of Dauphin Office Seating, having the right chairs can be a boost to the bottom line

"The chair is the heart of the workstation. We try to encourage the use of one chair, or family of chairs which have similar functions, throughout an organisation

"Every person in an organisation should be able to sit in comfort," she said in an interview this week

Seating your staff healthily and comfortably is not a cheap exercise — the chairs Ms Galloway markets typically cost about R800 each, although the company can satisfy the needs of an executive in search of luxury at anything up to R12 000

The South African office seating industry is now worth around R180 million a year

Winning contracts to supply seating to major corporations is a highly competitive business — fitting out a major banking group, for example, can be worth between R3,8 million and R5 million

● Dauphin Office Seating is a partnership formed last year between South African chair manufacturer Seating and Dauphin of Germany

Govt sets up job creation forum

Star 20/2/95

■ BY JUSTICE MALALA
LABOUR REPORTER

Labour Minister Tito Mboweni yesterday announced the composition of a commission to investigate proposals for job creation, eradicating unemployment and raising productivity.

The 15-member Labour Market Commission, to be headed by Gencor labour relations manager Moss Ngoasheng and Mboweni's special adviser Dave Lewis, will present a final report of its findings to the Labour Ministry by March next year. The commission's establishment was approved by Cabinet last week.

(Restructuring

Lewis said the commission was necessitated by the economic restructuring taking place throughout the world and South Africa's need to form a basis for re-entry into the world economy and also to meet the demands of the Reconstruction and Development Programme.

He said only 13,5 million of South Africa's about 40 million population was economically active. Estimates put the number of unemployed at 5,7 million or 43 percent of the economically active population.

He said only 21 000 jobs were created each year for the 300 000 people entering the job market, meaning that only seven of 100 new entrants to the labour market can find a job in the formal sector.

"South Africa's productivity levels compare poorly with those of countries it has to compete with for international markets," he said.

► To Page 3

Report slams SA management methods

BY CLAIRE GERHARDT

South African firms and clusters are using outdated management techniques, says the report on global competitiveness presented to the cabinet yesterday.

It states "The low levels of teamwork, high inventory and poor quality in vehicle assembly show that even 1980s management techniques such as shop floor teams, JIT and Total Quality Management have yet to penetrate South Africa. This lack of advance is perhaps the worst consequence of poor labour management."

The report highlights the low percentage of local workers who

work in teams — only 2.5 percent, as against 71.3 percent of Japanese working in North America.

It says levels of inventory in South Africa are also much higher than in Europe and Japan, while defects in every 100 vehicles dwarf those figures in Japan and the United States.

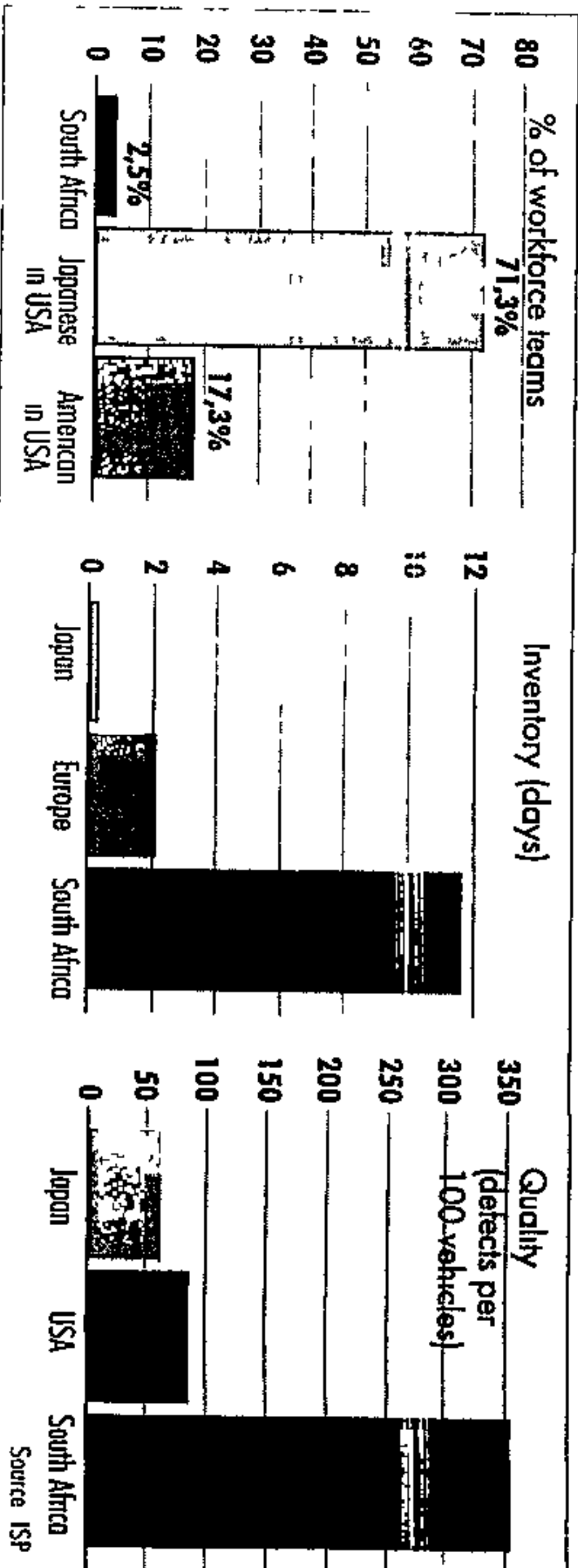
The report berates the lack of Activity-Based Costing (ABC), which it says allocates overhead and indirect costs to products more accurately than standard cost systems.

Poor skills and poor work organisation have led to low productivity compared with wage levels

CT(2E)6/4/95
These systems reveal the true cost of complexity and would have prevented the proliferation of parts and materials found in the growing up South African vehicle costs," it says. In vehicle assembly it continues, outdated machinery combined with poor skills and poor work organisation, have led to low productivity relative to wage levels. It says strategic positioning is a key everying driver of a company or dis-

ter's success but many South African companies have not made clear choices of where and how to compete. "Stuck-in-the-middle" strategic positionings tend to lead to broad product lines and high complexity in manufacturing. This multiplies up the value chain, and leads to very high system cost pipelines. It also leads to the very high cost of low volume parts. Focused competitors cherry-pick the high volume parts and undercut the South African firms on price which, to the South African firm, appears as if the competitor is selling below cost.

Conceptual technology



UPDATED: The graph shows the low levels of teamwork, high inventory and poor quality in vehicle assembly

SA economy no world competitor

■ BY CLAIRE GEBHARDT
ECONOMICS EDITOR

South Africa has made the leap to political transformation but hasn't begun to leap the economic chasm. In fact, it needs a miracle as profound as the one that gave the country democracy to give it prosperity, too.

This is the message of a "global competitiveness survey" commissioned by the National Economic Forum and presented to the Cabinet yesterday.

The survey, conducted by the Monitor Company, was done in collaboration with the Harvard Business School and Professor Michael Porter of *Competitive Advantage of Nations* fame. Staff of the IDC, the Department of Trade and Industry, the CEAS, Cosatu and Business Africa were seconded to Monitor.

The survey concludes that the country's "rusty and outdated" economic engine needs a dramatic overhaul.

In almost every sector researched, identical products were being made at substantially lower cost and/or higher

quality in other countries. Many industries existed only because of protection and subsidies.

The message is simple — South African firms and industries must adapt or die.

One of the findings is that South Africa's per capita GDP is lower than that of Botswana and Hungary, and on a par with Brazil and Colombia.

With population growing by 2,5% a year, we'll need growth of 7% to 8% a year for twenty years merely to reach Taiwan's level of GDP per person.

To do so over ten years would require growth rates of 12% to 13% a year. Current forecasts of 3% to 4% were "inadequate".

The survey concludes that transformation is achievable. Since 1980, South Korea's GDP has grown by an average of 9% each year. In contrast, South Africa's per capita GDP growth has declined from 2,5% between 1961 and 1972 to a negative 1,7% between 1985 and 1991.

The primary economic goal of a nation should be to ensure high and rising living standards for its people, and this

requires competitiveness.

Five imperatives for competitiveness are identified as.

■ Strong co-ordinated clusters (a strong network of related industries) — SA clusters are weakened by the lack of a strong machinery base and poor supporting services.

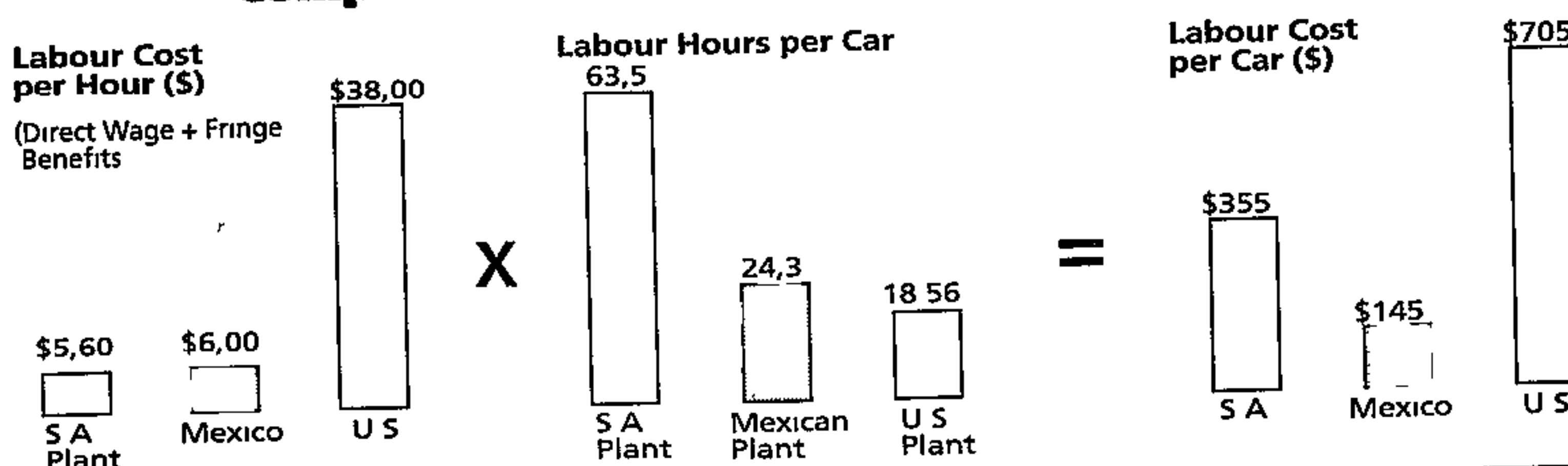
■ World-class strategic capability — firms focus on production or the Government rather than customers and competitors.

■ Strong and integrated skills, technology and work organisation — skills must match the new generations of computer-controlled machines that assume team-oriented problem-solving skills.

■ High inter-firm rivalry — weak competition policies, high tariffs, a lack of small and medium enterprises, low levels of foreign direct investment and high levels of government ownership have reduced rivalry and stunted growth.

■ Capable bureaucracy — government policies (GEIS, Phase 6, tariffs) have hindered the creation of competitiveness. Policy administration must be quick and low cost.

Comparative labour costs in vehicle assembly



Exorbitant car prices . . . consumers in South Africa are paying up to R5-billion a year more for their cars than they should be, a study of the competitive-

ness of SA firms has found. The major study by independent consulting group Monitor, commissioned by the National Economic Forum, found that the cost

of assembling a vehicle in South Africa — not including components — was 72% higher than in Germany or the United States. The price premium for ve-

hicles currently costs consumers R4-billion to R5-billion a year, approximately equal to the RDP or national housing budget " — Own Correspondent.

Damning paper on 'rusty' SA industry

247 44 100
BD 6/4/95

CAPE TOWN — A poor level of competitiveness and critical weaknesses characterised SA's economy and hindered its prospects for real growth, a report released yesterday said.

Commissioned by the former national economic forum to determine strategies for improving SA's competitiveness, the Monitor Company report said SA firms would have to make "radical and painful changes" to win in the new trade environment. "Underneath the attractively painted body panels the engine is rusty and outdated," it said.

In every "cluster" of related industries and enterprises, comparable products were produced more cheaply or were of a higher quality in other countries. In the metal products industry, prices were driven by high steel costs, outdated machinery, poor skills and poor work organisation.

Construction costs were almost double those of other countries. The cost of housing in SA was \$192m² compared with \$155m² in Thailand, \$135m² in Chile, \$107m² in Kenya and \$64m² in Indonesia.

A lack of strategic focus combined with poor skills, outdated machinery and high conversion costs contributed to the mediocre performance of SA's textile industry.

"In sugar, the local price is almost twice the world price."

SA did have some advantages, including well-developed machinery functions in the

ADRIAN HADLAND

forestry, sugar, armaments and mining sectors, well-developed research and development programmes in agricultural bio-technology, a competitive clothing industry and strong positions in the food, beverages and personal sectors.

While the report focused on evaluating SA's competitive position, and a second phase would concentrate on developing industrial strategies to improve this, the Monitor Company said five "imperatives" required attention.

SA needed to create strong, co-ordinated industrial clusters; establish world-class strategic capability; develop strong and integrated skills, machinery and work organisation, encourage inter-firm rivalry, and build a capable, effective bureaucracy. "Government, business and labour will need to act to create a strong platform, one which supports innovation and upgrading and from which these firms can compete."

Reuter reports Trade and Industry Minister Trevor Manuel warned yesterday that industry should gear up to become more competitive. "Tariff protection on demand is dead," he said after a joint parliamentary committee had been briefed on the study. The study would be used by the National Economic, Development and Labour Council to guide debate on a new industrial strategy.

(247)
SA firms rapped

ARLT 6/4/95
ALIDE DASNOIS, Deputy Business Editor

SOUTH African companies are secretive and impenetrable, a major study has found

The global competitiveness survey, commissioned 18 months ago by the National Economic Forum and conducted by independent consultants Monitor, also found a lack of rivalry between companies

Presenting the results in Cape Town yesterday, Monitor researcher Ralph Judah said it was more difficult to collect clear information in South Africa than in other countries where the Monitor team had worked, including Bolivia and Peru

"Information here is viewed as a weapon, collected and retained inside the company. It's only allowed into the public domain for a specific purpose."

In other countries, industry associations served as a channel for information. But in South Africa, their main object was to lobby the government, not to provide information

This was one reason for the weakness of South Africa's industrial "clusters" — networks of related companies

Researchers identified five imperatives to increase competitiveness: stronger clusters; better strategic focus, the integration of skills, machinery and work organisation, high inter-firm rivalry; and a capable bureaucracy

Rivalry between companies was probably the single most important factor in the drive for competitiveness, they said.

Local firms parochial and backward, study finds (241)

SA industry comes in for severe drubbing

Star 6/4/95

Cape Town — South African industry was weak, parochial and backward, with many companies surviving only because of protection and subsidies, a study on the country's global competitiveness has revealed.

Commissioned by the National Economic Forum last year, the independent study was made public at a joint trade and industry committee meeting yesterday.

Many South African-made products were available at lower cost and/or higher quality from overseas firms.

A locally assembled vehicle costs 72% more than a similar model in the US, with a cost disadvantage of about R4,5-billion annually — al-

most equal to the RDP or the national housing budget. The cost of a low-income house is almost double the cost in other countries, the report states.

Only the clothing industry appeared to be internationally competitive — if textile costs were disregarded.

"It's not all gloom and doom, there are some bright spots," the study's project manager David Green told parliamentarians.

The view was echoed by Trade and Industry director-general Dr Zavareh Rustonjee who said the findings were based on an aggregate of firms. Certain companies were internationally competitive

Competitive weaknesses identified by the study included: lack of co-ordinated industry clusters; lack of world-class strategic capability, lack of integrated skills, machinery and work organisations; low inter-firm rivalry; and lack of a capable bureaucracy.

Highlighting the critical role played by domestic rivalry in achieving international success, the study found that low rivalry was common in South Africa because of protectionism, subsidies, and geographic and political isolation.

In textiles and clothing, however, there was a misdirected high rivalry, with textiles pitted against cloth-

ing, rather than the two industries uniting against the rest of the world.

The report also noted that strategic positioning underpinned a company's success.

Many local firms had not made clear choices of where and how to compete and "were stuck in the middle" trying to be all things to all people. This left firms vulnerable to attack by more focused foreign competitors.

Industry clusters had been weakened by the lack of a strong machinery base, poor supporting services and high domestic transport costs, among others.

The study's findings will be used in drafting a national industrial policy. — Sapa

SA factories make a poor impression

(180) (247) ST(BT) 16/4/95

By TERRY BETTY

SOUTH Africa's manufacturing industry is the least competitive of 20 countries surveyed in a global study.

The global Manufacturing Futures Survey for 1994, co-ordinated locally by Norman Faull of UCT's Graduate School of Business, shows that South Africa's manufacturing competitiveness has fallen markedly over the past two years.

It also shows that competition from overseas companies in South Africa has toughened and that local companies are struggling to contain costs.

Professor Faull says the MFS looks at 20 countries and is co-ordinated by Boston University. This is the second time South Africa has participated in the survey.

SA companies report an average turnover of R238 000 for each employee. This compares with R899 000 for South Korea, which is at the top of the list.

Conversely, this translates into South Africa employing 4.2 people for every R1-million turnover, as opposed to 1.1 people in Korea.

Professor Faull says: "To be competitive at these levels of employment, one assumes that real wages must be lower, and/or the exchange rate is weakening — as it is for

Mexico and South Africa against most of the other currencies."

The survey also shows that with an average 950 employees, SA companies are larger than those in New Zealand with 178, Singapore with 375, Taiwan with 406, Mexico with 663 and Australia with 669. It is smaller than those in Japan with 2 739, Europe with 2 756 and the US with 4 700.

"South Africa does not appear to have firms 'sized' for the league in which it competes," says Professor Faull.

"This probably reflects the roots of the SA economy in deep-level mining and the resultant concentration of wealth required for those highly capital-intensive undertakings spilling over into the structure of the economy as a whole," says Professor Faull.

"Disinvestment probably also resulted in a further concentration of capital."

South Africa is the only country where revenue growth far outstrips growth in physical volume of sales.

In the surveyed period revenue grew by 8% whereas volume of turn-

over only grew by 4%. The other countries surveyed showed the two to be in line with each other.

Professor Faull says this indicates either input price over-recovery or just plain inflation. "It could be seen as only possible to achieve in relatively insulated markets."

At 12.4 years, South Africa is again at the bottom of the list after Mexico in average age of equipment.

Taiwan is tops on the list with equipment aged an average seven years and Korea at 7.6 years.

South Africa is at the bottom of the league in inventory turns per year. Inventory turns over 7.1 times a year in South Africa compared with 17.3 times in Taiwan and 16 times in Mexico.

Professor Faull says this increases the overhead costs and the cost of doing business. It diminishes South Africa's ability to compete in price-sensitive markets.

SA companies are also at the bottom of the pile in percentage on time deliveries with an 86% strike rate. The most successful countries are Japan at 96% and Korea with 93%.

The SA survey looked at 212 companies, with a combined turnover of R50-billion and employing more than 200 000 people.

Shoprite Checkers lifts profit 101,4%

B/D 25/4/95

247

YURI THUMBRAN

SHOPRITE Checkers' policy of keeping prices down paid dividends in the year to February, when its 234 retail outlets lifted net profit 101,4% to R100m

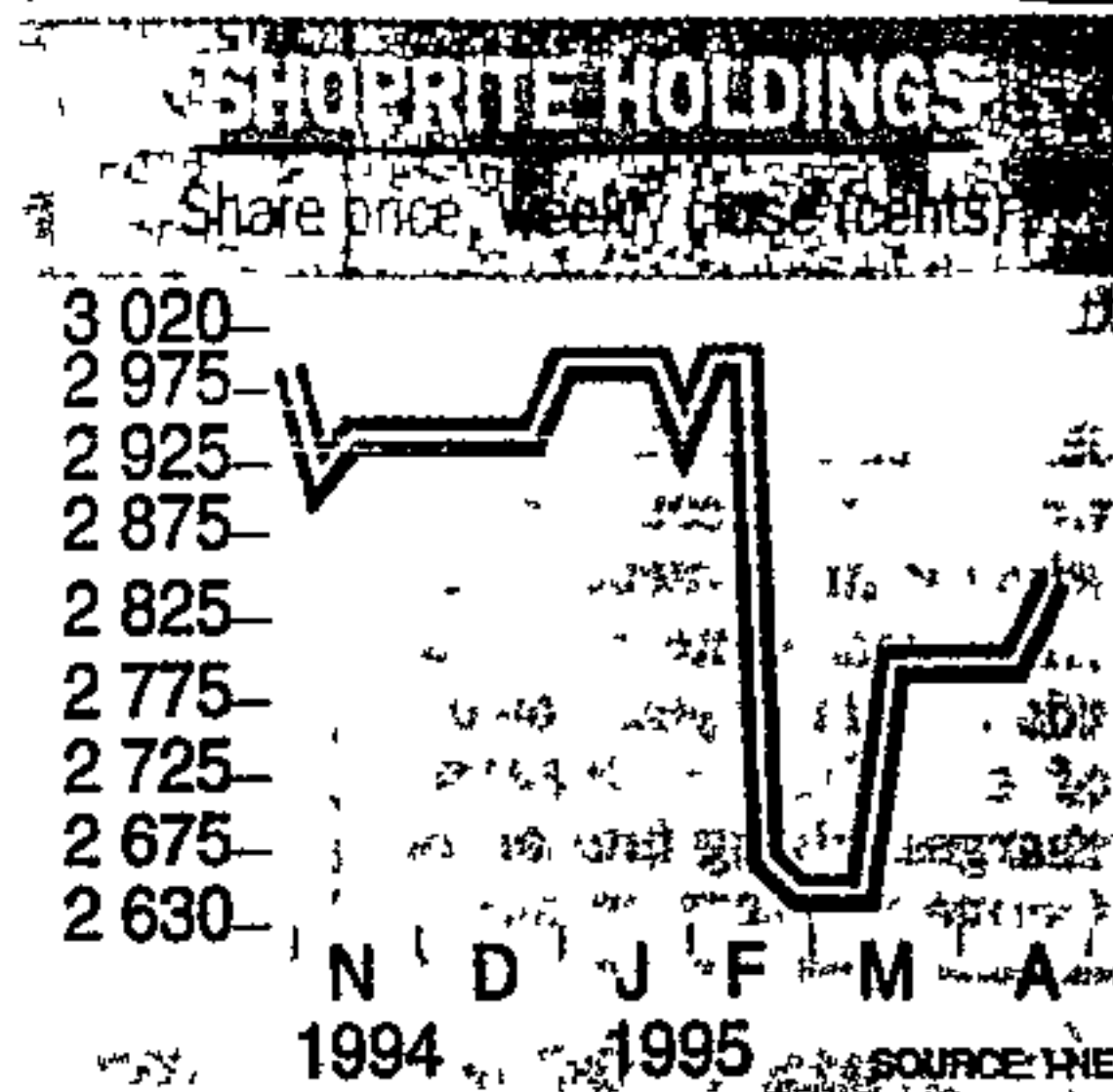
The Pepkor subsidiary reported earnings a share up 116,3% to 200,3c from a previous 92,6c on turnover of R6,3bn (R5,5bn)

Better trading conditions resulted in the group reporting investment income of R4,8m, against R7m paid in interest charges a year earlier. Its tax bill rose 101,3% to R5,3m, but better margins were reflected in operating income, which improved 92,2% to R100m

Group MD Whitey Basson said the growth in operating profit was also attributable to improved business disciplines and margins, increased productivity and continued rationalisation of group activities. Its property portfolio had improved, as had its management of cash

Three years earlier the company had considered closing its doors and retrenching 20 000 people. The reverse in its fortunes reflected the market share it had gained in the food and grocery retail sector, Basson said.

Increased competition was expected to affect gross margins, but everything would be done to protect market share. Higher



taxation would affect earnings as assessed losses had been fully used

Holding company Tradehold lifted its net profit to R53m (R31m), while earnings a share rose 140% to 249c. It had increased its share in Shoprite to 73% (72%), resulting in extraordinary items of R13,6m.

Shoprite/Checkers offered capitalisation shares with a cash equivalent of 45c a share in lieu of a dividend in a ratio of 1,607 ordinary shares for every 100 held. Tradehold offered to take up, at R28 each, shares renounced by shareholders.

Tradehold offered 1,355 capitalisation shares for every 100 held. Pepkor offered R31 a share for capitalisation shares not taken up.

Mboweni: Jobs based on productivity needed

Political Staff

(247) ARG 27/4/95
SOUTH Africa needs more jobs with higher incomes based on productivity improvements to underpin the reconstruction and development programme vision of rising living standards for all.

This was Labour Minister Tito Mboweni's message to the Clothing and Textile summit at Sea Point.

Mr Mboweni said the first step in achieving this vision would be to ensure that scarce resources — arable land, machines and capital, in particular — were worked harder and more efficiently.

Invoking the Australian practice of working "smarter not harder", Mr Mboweni said human resources, which were not scarce, needed to be trained to exploit material resources more intelligently.

The integration of "heads" and "hands" was a prerequisite for growth, as was the development of innovative ways of working, and innovative products and services.

Part of a new approach to the labour market would be strategies to enhance productivity.

Productivity was as much about getting machines and capital to work efficiently as it was about people.

"It is also about the way work is organised which, in our society, still includes many inefficiencies."

On education and training, he said a national qualification framework had been developed to address the legacy of apartheid by proposing that adult basic education be combined with training to lead to national qualifications through the accumulation of credits.

Facing the challenge of international competition

WITH international barriers down and "protected industries" exposed to the real world, the challenge of competitiveness for SA management is at international level.

Corporate Intelligence Development manager Ron Pienaar says this has become apparent through the focus of specific services customers are requesting.

"Management is moving away from 'buzz concepts' and 'flavour of the month' approach and going back to basics, namely reducing costs and growing market share."

"Most of our clients, as well as other businesses with which we come into contact, are revising their short-term strategies in order to address the issue of international competition."

"Reducing cost is becoming a short-term objective in terms of organisational effectiveness."

(247)



RON PIENAAR

"We are assisting management to optimise and focus on the working capital elements, inventory, labour, debtors, creditors, and cash flow. This often forces management to rethink the business to focus on the core."

"Globalisation has impacted on our markets and, through surveys we do on behalf of our clients, the major shift which has emerged is one towards international standards of quality and service, such as ISO9000 and TQM."

Pienaar says in order to be competitive and stay that way, management should be in a position to identify with the shifts taking place within their markets and be proactive in their approach to repositioning themselves and growing their market share.

"The new SA business is competing on an international level in local markets. If management does not address the basics — the enablers of competitiveness — and strive to be the best, they will go bust."

Drafting of SA's national qualification Bill finished

A NATIONAL Qualifications Framework Bill — an initiative between the Labour and Education Ministries — had been drafted and would be published for comment immediately, Labour Minister Tito Mboweni said during the SA Clothing and Textile Workers' Union (Sactwu) training summit last week.

The Bill was the enabling legislation designed to establish the SA Qualification Authority — responsible for overseeing the development of the national qualification framework.

The authority would be controlled by a board of up to 20 people appointed by the two Ministries.

He said the days when unequal credentials and learning opportunities were given on the basis of

RENEE GRAWITZKY

race or gender were over. "This was inefficient economically as well as unjust socially and politically."

The overall aim of the training summit was to consolidate the principles underlying the clothing and textile industries new training programme, to forge consensus and quantify the resources required for implementation of new strategies, Sactwu assistant general secretary Ebrahim Patel said.

He said it would form part of the industrial restructuring programme to be implemented through the industry training boards. The programme would range from general life skills to operator training level.

SA popular with tourists

MDUDUZI KA HARVEY

SA WAS becoming increasingly popular as a tourism destination and operators reported excellent advance bookings, more repeat visits and great interest in tours, the Association of SA Travel Agents' incoming tour operators' vice-chairman Michael Kotze said.

In a statement at the World Tourism Fair in Berlin, he said overseas partners were booking right through 1997. The German market — traditionally a loyal supporter of the SA product — was expected to grow by 10% to 15%.

However, he said, there were still inhibiting factors among them widespread concern for personal safety and the 10%-15% increase in air fares. He also cited lack of sufficient hotel rooms.

BD 2/5/95

JOBS

The work ethic lobby labours a racist idea

WHENEVER a conversation on productivity takes place, usually at the golf course, the subject inevitably turns to South Africans' "work ethic", or lack of it

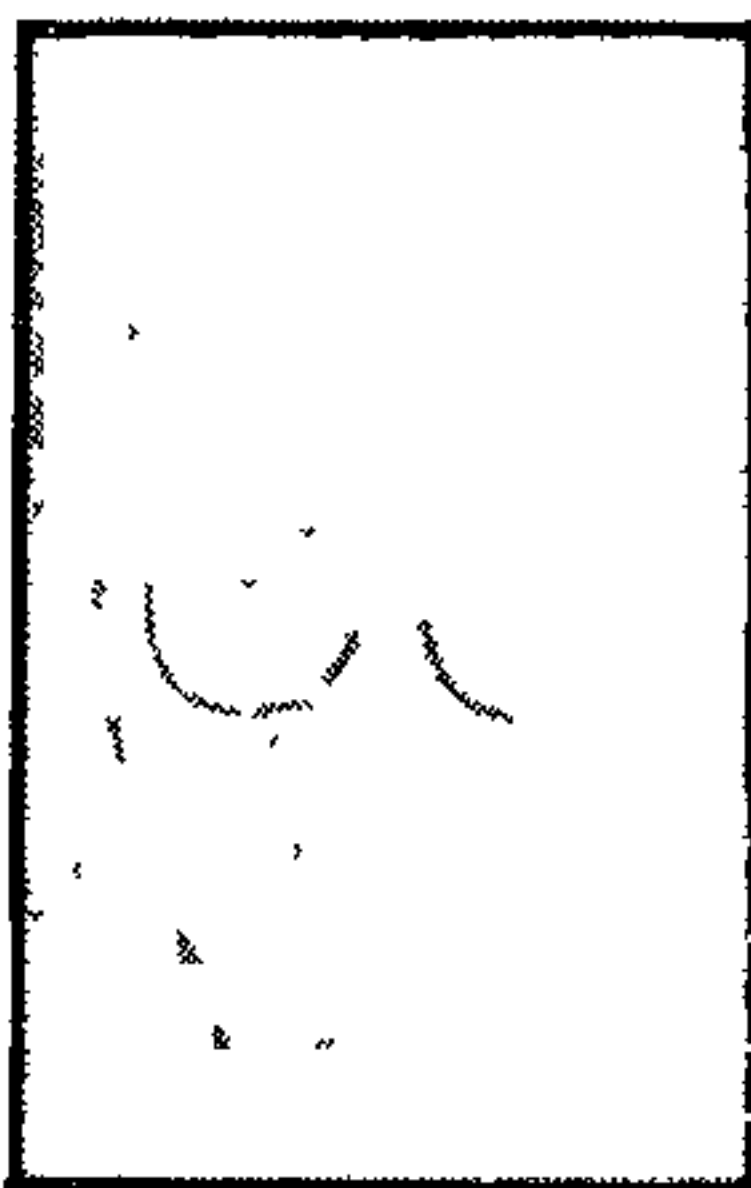
This line of reasoning frequently starts with an innocuous discussion about implementing one of the plethora of "world-class" strategies and ends with a view that South Africa will never compete with Asia, Europe or Latin America because of our apparent lack of a "work ethic"

Let us set aside the implied racism — what is really being said is that black workers will not work as hard as their Asian or Hispanic counterparts. What is this work ethic and where does it come from?

To unpack these questions we have to take a simplified journey through South Africa's economic history. Social practice and forms are the product of history and productivity, or the lack of it, and are a result of the processes that built the economy.

Virtually from their time of arrival at the southern tip of Africa, Europeans became managers of labour. Their northern European agricultural skills were not easily adapted to the new conditions. However, by a stroke of fortune, there

Management's complaints about labour's lack of a work ethic are inspired by racism, says trade unionist **CHRIS LLOYD**. The debate about productivity should rather take into account South Africa's history of inequality, he argues. (247) ST14/S/95



CHRIS LLOYD

was an indigenous population which had developed suitable techniques.

These people were "encouraged" to deploy their skills under the benevolent management of the new arrivals. This early emergence of a racial division of labour began a process which brings us to where we are today.

The growth of the mining industry with its voracious appetite for unskilled migrant labour, reinforced the pattern. Subsistence wages were paid to what was effectively a captive workforce. The govern-

ment, be it colonial or national, assisted the process with a range of taxation and labour market incentives to encourage reluctant black societies to enter the alien environment of industrial labour.

The emerging manufacturing industry merely adapted these broad principles to suit its particular needs. Like many of their colleagues in agriculture, manufacturing management found the threat of foreign competition to be an inconvenient pressure on operations. The government obliged with a system of import protection on demand that eventually produced a tariff structure more complicated than differential calculus. This, of course, is based on a theory that 'infant industries' required protection from predatory *utlanders* during their start-up phase. But after three or four decades these siblings have still not reached puberty.

The combination of the labour market and import protection became a potent, narcotic cocktail insulating management from global shifts in the produc-

tion paradigm.

The alliance of the state, capital and the white working class ensured that the majority of the direct production labour had no recourse to either collective action through unions or education. Perhaps the previous government's greatest contribution to economic development was ensuring that unskilled labour remained just that.

Meanwhile, the reconstruction and development of the post-war Europe and Asia ploughed mountains of borrowed resources into general education.

For SA management this removed one of the main disciplines of modern capitalism — a rising price of skilled labour. Management could get on with the less demanding task of deploying the cash flow while colleagues in Germany and Japan were struggling to deploy efficiently their increasingly skilled and therefore more expensive labour.

The import protection component of the cocktail ensured that cheaper or innovative foreign products, which could threat-

en this blissful slumber, were taxed to a standstill before they hit the Durban waterfront.

These forces allowed peaceful management slumber while naive white consumers loaded outdated, overpriced goods into outdated, overpriced cars for the journey back to the palatial fortresses of the country's affluent suburbs.

The quality and modernity of these goods were of little interest to those who made them as, fortunately, their incomes restricted them to concentrating their purchasing power on "luxuries" like food. Those who did by a consumer durable soon found that the availability of electricity was a precondition of use.

Into this comfortable narcosis blundered two related forces, the first was black trade unionism with its outrageous demands for living wages and democracy. After a century of subsistence incomes and state-enforced discrimination these new "stakeholders" had little interests in finding productivity offsets for their pay demands.

By the time the ink was dry on the General Agreement on Tariffs and Trade, management was waking up to the crisis which the country's economic history had left them with: an oppressed majority, demanding significant change just



WORKING TOWARDS AN UNDERSTANDING labour should be included in attempts to improve productivity and develop solutions

as foreigners were being let back into the market.

The rude awakening through the pressure of organised black labour and a return to the world trading post led to a frenetic search for productivity solutions.

Like their US and Australian counterparts, SA management began to peruse the catalogues of quick-fix solutions to the productivity deficit. These ranged from the conventional approach of re-trenching indirect labour in an attempt to contain costs to some new approaches.

Many managers reasoned that if Europe and

Asia can produce better and cheaper goods then the solution is to copy their methods. Unfortunately just as our lack of productivity is a product of decades of a unique economic history, their progress is a product of their own circumstances.

Managers, freshly enthused by an MBA and a world tour of "best practice" plans, exhorted newly unionised black labour to "share values" and a common mission. Out goes the sjambok and in comes the bosheraad in the game park.

Behind the froth and bubble of empowerment and "codetermination" the

realities of apartheid wage differentials and low investment in skills development, remain the reality. Value sharing has not actually extended to sharing the BMW for the 30km drive back to the township after a day in the semi-autonomous work group. The promise of the multi-skilled team has become the reality of simple task rotation and job reduction.

Some management teams, usually after a few attempts at the snake oil, begin to focus on the realities. Radical ideas begin to emerge.

Instead of teaching their largely illiterate workforce Japanese, why not

put work teams in local cultural context? As the unions do not seem inclined to go away, why not try to agree jointly on the problems and then develop the solutions?

Even among organised labour there is emerging, at the shop steward level, a group of pragmatists who can see the challenge and does not think it can be dealt with solely through militant rhetoric. This is pressing unions structures for more training and more assistance to deal with complex changes at the workplace.

Suspicion and distrust will be with us for some time and it is only through

a practical and joint assessment, step by step, of the problem that credibility will develop on both sides.

Those who wish to persist with the hoary old chesnut of "work ethic" are rarely convinced by evidence or argument. They will no doubt continue to bemoan the less-than-diligent approach of workers to their labours, much as Virginia plantation owners did in the last century.

Chris Lloyd is an official with the National Union of Metalworkers of South Africa. This article is an edited version of one appearing in the current issue of Productivity SA.

Plan to make SA more competitive (247)

CT(EE) 17/5/95
By BRUCE CAMERON

Trevor Manuel, minister of trade and industry, has outlined a six-point programme to make South African business internationally competitive.

Speaking at a Young and Rubicam branding and competitiveness conference, Manuel said a recent report had shown South Africa faced a deep crisis in competitiveness.

He said a number of immediate steps had to be taken to rectify the position. The six points he provided as a solution were:

□ The weaning of manufacturers from protectionism. He said it would not be sufficient to meet the demands of the phased-in new Gatt rules. This would be disastrous, as in the next five to 10 years the rules would change repeatedly. Business had to invest heavily in the next two years to meet demands;

□ Technology, training and retraining needed to be upgraded

with a need for production organisation improvements;

□ Business had to consider trade blocs individually, including the southern African region, paying attention to market peculiarities;

□ The creation of inter-firm rivalry, not only between local companies, but also by exposing local companies to foreign competition. The Maintenance of Competition Act would be radically revised to achieve this;

□ Improving the country's industrial design weakness; and

□ A need for manufacturers to enter the internationally competitive world of branding of products.

Branding of products was a battle against mediocrity that would signal a willingness to compete, Manuel said.

A number of countries with high growth rates, including Singapore, Malaysia and Indonesia, were not in the brand market, providing South Africa with an opportunity.

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...Liebenberg said.

schools react to Cosas suggestions that they be closed down

The unions and productivity

By Josias Charle

Source: 25/5/95

~~(132)~~ ~~(248)~~ (247)
SOUTH African trade unions have been urged to look beyond the issue of negotiating salaries for their members and venture into the area of helping to improve productivity as well

Addressing the Pretoria News-Sceff Properties Business Breakfast in Pretoria this week, chief executive officer of the National Economic Development and Labour Council Mr Jayendra Naidoo said the labour movement had to realise

that negotiating salary increases for their members was not enough

"In a period of about a year, the negotiated salaries get eroded by the rising inflation anyway. We now need to have a situation where the unionists can look beyond this issue and get involved in issues of productivity and training as well," Naidoo said

He said this would lead to more goods and services being made available which would be to the benefit of the workers themselves and the country as a whole

Naidoo said the business sector also had a role

to play in ensuring that their employees were partners in the workplace

"Productivity also rests on management and workers sharing power and being united in action in order to strengthen their relationship. Workers should be allowed to have a stake in the company as well."

Naidoo also said South Africa needed a strategic agenda that would suit its needs.

"We cannot afford to deal with issues one at a time and then await a crisis before dealing with the next. We must ensure that our rate of success is much higher," Naidoo said

State-of-the-art technology crucial for SA, says Erwin

CT(BR) 1/6/95 (247) (1880)

By CLAIRE GEBHARDT

ECONOMICS EDITOR

For South Africa to attempt to compete with low wage economies was tantamount to entering a cul de sac, deputy finance minister Alec Erwin said yesterday.

Addressing the 7th National Conference of the Institute of Personnel Management (IPM), Erwin said South Africa had to compete on the world terrain with human resource development aimed at productivity, efficiency, training and skill.

The domestic economy was heavily focused on the production of minerals and raw materials and this type of production was in long-term technological decline.

"Any company that does not benefit from its products is facing the same decline."

Erwin said the challenge for South Africa was not just to be export-competitive but to avoid a de-industrialisation process.

A crucial question was whether South Africa could maintain its manufacturing and industrial sector, given the changes in world manufacturing and the drop in production levels.

The manufacturing sector was still the largest sector of employment, he said.

One of the answers was state-of-the-art training.

Erwin urged companies to raise the level of skill and training of their employees.

Production methods changed very rapidly and an economy which was unable to move its work force from one area to another would be unable to compete internationally.

He urged the raising of the level of skills in science and technology and for companies to invest in state-of-the-art technology.

"The economies we are going to compete with are moving products



VITAL SKILLS Alec Erwin encourages better training at work

very quickly and this requires sophisticated technology."

Erwin said some of the problem areas the reconstruction and development programme (RDP) was seeking to address were:

□ Basic needs, as historically there had been a complete skewing of basic needs as regards the racial divide and as regards urban and rural infrastructural needs. The same "skewness" applied to human resources.

□ There were glaring deficiencies in the lack of emphasis on science, technology and numeracy. At the tertiary level there was an over proliferation of social science degrees.

□ The economy was fragmented. A rapid industrialisation, built on the strength of the mining industry, had been brought about through the use of tariff protection.

South Africa had also relied heavily on repressive labour measures and on cheap labour rather than human resource development, he said.

SA labour costly, say Koreans

BY CLAIRE GEBHARDT

ECONOMICS EDITOR

South Africa's high labour wage rates relative to productivity were "very disappointing" Un-Suh Park, Korean trade, industry and energy, deputy minister said. He was speaking at the conclusion of a trade and investment mission to South Africa yesterday.

At a media briefing in Johannesburg, Park said average monthly wage rates in South Africa of about \$400 compared unfavourably with wage rates of about \$50 dollars in Sri Lanka and \$150 in China.

The productivity of South African workers was about 30 percent of Korean workers who earned a monthly wage of about \$1 100, he said.

However education and training of the workforce could make South Africa's industries very cost effective, he said.

Park also urged South Africa to

consider tax incentives to encourage foreign investment. A tax holiday of at least 5 years was the minimum needed, he said.

This would bring South Africa in line with the tax incentives offered in Asian countries.

The Korean delegation was made up of six government officials and 27 businessmen representing the car, electronics, construction and natural resource industries. They were impressed by South Africa's good infrastructure and abundant minerals, he said.

Problems facing South Africa included its dual first and third world economic structure and the lack of education and training of the workforce.

Park said there was potential for the expansion of investment and trade between the two countries in the areas of electricity, telecommunications, harbours, housing, water supply, textiles, electronics and medical equipment.

Bilateral trade, which had

increased by 30 percent year-on-year last year, was about \$1,1 billion. In the first quarter of this year there was an increase of 50 percent.

He hoped bilateral trade would increase to \$5 billion in 5 years, he said.

Business contracts and talks during the Korean Mission's visit to South Africa resulted in the establishment of 19 projects worth \$783 million.

The private sectors of the two countries had provisionally agreed to two housing projects worth \$133 million.

Also agreed to were contracts for South African exports to Korea to the value of \$70 million and Korean exports to South Africa of \$31 million.

During President Mandela's visit to Korea this month a science and technology cooperation and an air transportation agreement would be discussed.

The removal of non-tariff barriers and support from South Africa

ET(BR) 2/6/95 (247) (305)

Accountants commended for getting their act together

(247) 2/8/95 Star

The accounting profession in South Africa has taken a "quantum leap forward in thinking and relevance", said Tony Norton, the chief executive of NBS Holdings

In a complete about-turn to the scathing criticism he levelled against the profession in 1988, Norton was full of praise in his address to the KwaZulu Natal Society of Chartered Accountants in Durban yesterday

"Much has been done to remove or put in train the removal of the bases of the criticism levelled by myself and others previously" said Norton

"As a profession you have substantially got your act together in terms of basic principles in the key area of financial reporting"

Norton said that seven years ago when he addressed the South African National Congress of Chartered Accountants in Durban the profession "seemed to be straying towards irrelevance and unacceptable performance"

At the time he said accounting practices were fudgy and practically unenforceable

Practices

"There were too many elective accounting practices leading to wide inconsistencies between companies and within the same company over time

"Fair presentation was a principle subordinate to accepted practices, which were themselves suspect

Professional firms were moving heavily into financial consulting and jeopardising the principle of professional independence"

Norton said crucial issues addressed since then included redefining the financial reporting needs of users, the auditor's role, including the adoption of international standards, enhancing the independence of the auditor and mitigating the effects of litigation

"On the question of fair presentation and of legally enforceable standards as opposed to unenforceable practices, the profession has proposed amendments to the Companies Act which should cure many of the defects of the past"

On the question of inflation accounting, Norton said fair presen-

tation "will surely require some indication from responsible companies of the effects of inflation on earnings and assets, particularly from those companies which are asset-intensive"

He said over-manipulation of extraordinary and abnormal items were obvious areas for treatment in pursuit of fair presentation

Concerns regarding equity accounting were countered by the profession's requirement that assets and liabilities of significant associate companies be shown in notes to the accounts, said Norton

The question of independence of the auditor in the face of practices such as opinion shopping by clients looking for the most pliable consultant, remained a worry

Stals criticises SA's high wages

Labour sector 'has economy in straitjacket'

Greta Steyn

RESERVE Bank governor Chris Stals has singled out low labour productivity as a major reason SA's economy is caught in a straitjacket that prevents it from growing at a faster rate than 3%-4% a year.

Addressing the Northern Transvaal Chamber of Industries, Stals spelled out the conditions needed to lift SA out of its economic rut. The labour market was one of the "major structural deficiencies" of the economy.

Stals said relatively high wages had combined with relatively low productivity to create "an extremely high" average unit labour cost for industry, mining and farming. The reconstruction and development programme could address the problem, although its potential contribution was difficult to judge.

However, better living conditions, better education and training facilities and better health care had to contribute to improving the quality of human resources.

"In the longer run... it is perhaps the spirit of mind of the people of SA alone that will succeed in making the country more competitive," Stals said.

Cosatu spokesman Neil Coleman said it was unreasonable to argue that the economy's problem was high wages.

Some workers were still earning less than R600 a month, and there was a huge

disparity between the earnings of workers and managers and supervisors. "But it is encouraging that Stals has recognised that the development of human resources is the key to unlocking SA's economic potential."

He said Stals's comments represented a "subtle shift" in the mindset that had in the past blamed labour without taking into account the fact that human resources development had not been in labour's hands.

The other preconditions Stals mentioned for increasing longer-term growth included the need to increase savings, especially that of the personal sector.

SA also had to address its vulnerable balance of payments. A rise in exports was probably the best route.

Greater efficiency in domestic production would be needed to achieve this, rather than rand depreciation.

The economy was not competitive enough to maintain a satisfactory growth rate. Economic growth would not only depend on economic restructuring, "but even more on political and social stability. In the final situation, all business decisions are influenced by the overall environment in which they are taken."

In the short run, the economy had the potential to grow at an average annual rate of 3%-4% a year. But if even that rate of growth was to be maintained, SA would

Continued on Page 2

Stals

Continued from Page 1

have to receive a reasonable amount of foreign capital, cut its budget deficit to free savings and maintain a restrictive monetary policy.

Whenever economic growth pushed through the 3%-4% level, strains started showing in the financial markets.

SA's excessive reliance on bank credit to finance economic expansion was a symp-

tom of a relatively low saving level, a large Budget deficit and a growing demand for long-term funds to finance new private sector investment.

Government's moves to reduce the deficit would free saving for the financing of private investment, but SA in general would have to consume less. Only by consuming less of the national income would more be available to invest in increasing production capacity.

'SA not competitive enough'

~~247~~ (247)
FROM SABA

ET(02) 29/8/95
The South African economy is not competitive enough to maintain an economic growth rate at a level high enough for its own needs, Chris Stals, the governor of the Reserve Bank, said yesterday.

He told a meeting of the Northern Transvaal Chamber of Industries at the Pretoria Show that far-reaching structural reforms were needed to increase the country's current growth rate of about 3 to 4 percent a year.

One of the major problem areas was the labour market "where relatively high wages combine with relatively low productivity to create an extremely high average unit labour cost for every unit of production delivered by South African industries, mines or farmers".

Stals suggested that better living conditions, education, training facilities and health care would contribute to the improvement of the quality of human resources.

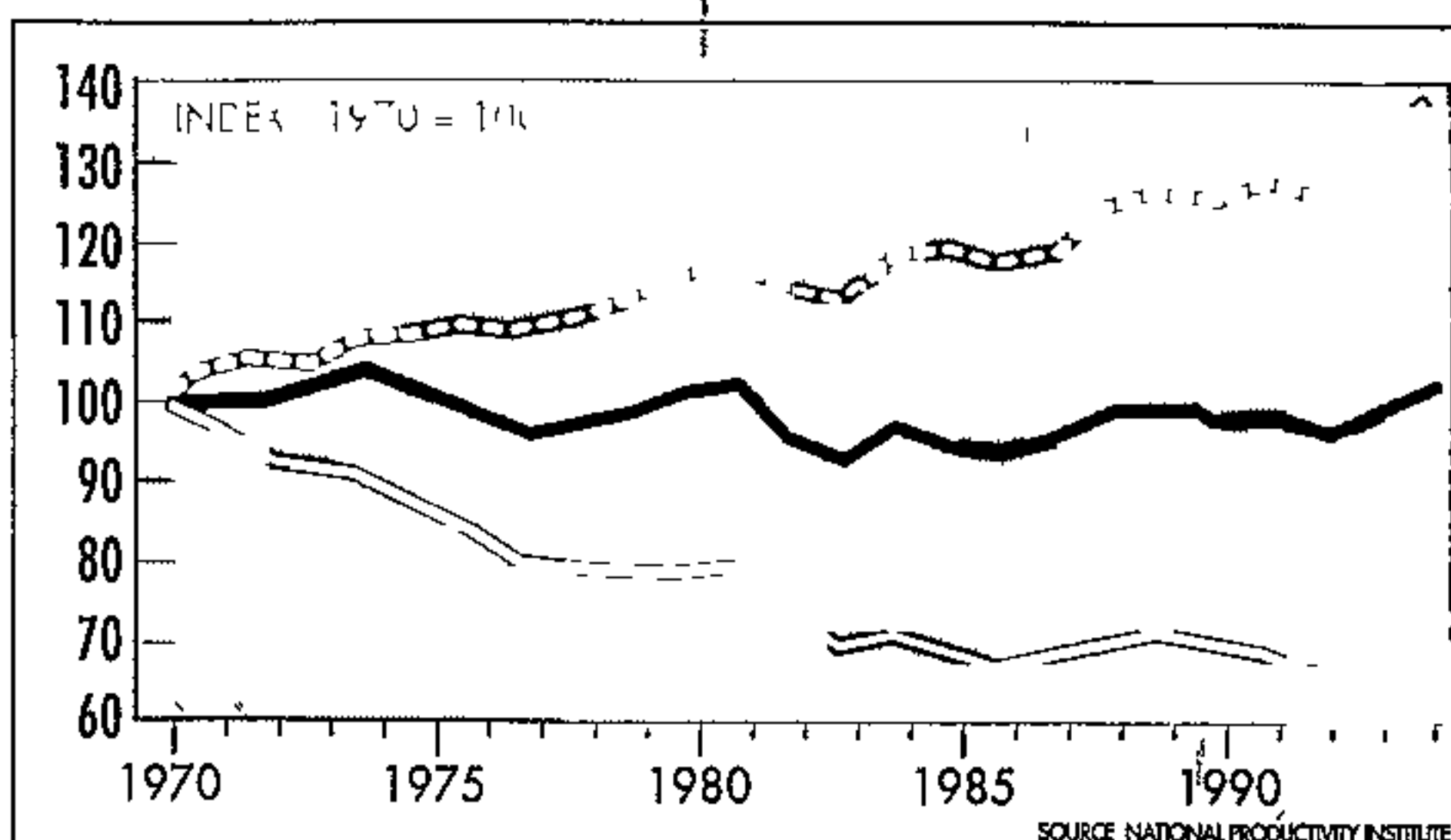
It was also necessary to lift the savings of the South African community to a higher level, particularly in the personal sector.

It was obvious that the country needed to make itself less vulnerable to balance of payments constraints by increasing exports to the rest of the world.

"Success in export markets is not dependent on a continuous depreciation of the rand, but rather on greater efficiency in the domestic production processes."

Stals said economic growth in South Africa also depended on political and social stability. "In the final situation, all business decisions are influenced by the overall environment in which they are taken."

SA productivity in the private economy



Productivity award winners announced

By ROSS HERBERT

STAFF WRITER

As pundits of conventional wisdom and more than a few annual report writers would have it, slothful workers and industrial strife are driving South African productivity ever lower. But, according to the National Productivity Institute, national output per formal-sector worker has been rising since 1970.

Productivity per rand of capital investment, however, has been sliding steadily, dragging the country's overall productivity to near zero growth. The only answer to that problem is a more co-operative relationship between management and labour that substitutes gain-sharing for the adversarial posture of the past, Jan Visser, the executive director of the National Productivity Institute, said last night in announcing the 34 winners of the 1995 National Productivity awards.

"To survive and prosper in the current turbulent atmosphere, workers and management will have to jointly undertake initiatives that will alter the way work is being organised. Management will have to involve workers in decision-making, upgrade skills, provide greater job security and share more

information with employees," he said.

The formal sector employs the same number of people it did in 1975. Population growth has meant gross domestic production a person has actually fallen by an average of 2 percent a year since 1980.

Visser presented gold-class national productivity awards to Absa Bank, Concor Technicrete, Rent-A-Sign; Richards Bay Coal Terminal; SA Breweries beer division, Alrode region, the Free State Department of Public Works and Roads southern area, and Foschini Group's Parow Distribution Centre. Silver-class awards went to Bevcars Springs can plant, Dano Textile Industries, HL&H Mining Timber, Klerksdorp, Iscor's Vanderbijlpark works, Neil Muller Construction, Sappi Fine Paper's Enstra Mill, the SA Air Force's directorate of management services; Spoornet Empangeni Rolling Material; Transvaal Sugar; and Western Tanning Company. Bronze winners were Europak, Kendal Power Station; Middelburg Ferrochrome low carbon plant, Nampak Tissue, Kliprivier, NCP, Polifin's monomers division ethylene plant; Spoornet Northern Cape and Portnet, Saldanha harbour and Standard Bank.

Uncompetitive SA slips in world survey

606/9/95

Mungo Soggot

(180) (247)

SA HAS slipped seven places to 42nd in the annual competitiveness survey of 48 countries conducted by the Swiss-based International Institute for Management Development and the World Economic Forum.

SA scored badly on most criteria, coming 42nd in domestic economic strength, 43rd on internationalisation and rock bottom in the "people" category which looked at workforce attitudes, quality of life and unemployment. Management was ranked 35th and government 38th — a slight improvement from last year based on a positive perception of the transition.

However, the report said SA's fall was not entirely due to a poorer showing as five new countries, all ranked higher, had been included. SA had again managed to get "respectable" number 20 and number 19 spots in finance and infrastructure.

The US was again in top spot, followed by Singapore. Japan dropped one place to fourth and Hong Kong was third. Russia came last, but offered enormous potential. World Competitiveness Project director Stephane Garelli said "Asia continues to be the powerhouse of the world economy. East Asia has displayed staggering growth and has been almost untouched by the past economic recession. Japan, however, seems set to continue to suffer from a crisis which is at least as much social and political as economic."

Garelli said the revival of US competitiveness stemmed from three factors: its deregulation and privatisation programmes, leadership in new technologies, and strict control on labour costs. "The US model has a high social cost with the risk of destabilising certain sectors of society."

The report said SA's dismal people category showing emphasised the need for a "long-term outlook on certain ways of

Continued on Page 2

SA slips (180) (247)

Continued from Page 1

boosting competitiveness" Economists said it reflected the massive sociopolitical constraints on productivity.

Investec group economist Carole Mason said it would take about a generation to address the major constraints hindering meaningful productivity gains.

Boner & Freemantle chief economist Gad Ariovich said what was pleasantly surprising was the relatively sound 28th place in the science and technology measure. But government was not acting fast enough to put through short-term mea-

asures to boost productivity. It should scrap exchange controls immediately and cut tax rates instead of resorting "to convenient political measures like the reconstruction and development programme. Scrapping exchange controls is one of the less bitter pills we are going to have to take." In the long term, the recipe for improved productivity was "education, education and education."

Ed Hern Rudolph chief economist Nick Barnardt said SA's poor 42nd ranking on internationalisation was probably out of date as the political transaction had led to much progress on this front.

Making the most of the productivity drive

ET (M2) 7/9/95 (247)

By ROSS HERBERT

STAFF WRITER

To executive ears, the words productivity improvement ring with the same wholesome, impossible-to-disagree-with sound as motherhood and apple pie

The most important lesson executives can take home is that productivity is a dirty word to line workers, a management euphemism for "the workers are at fault, let's sack more of them and make the rest work harder"

Changing that view for employees means involving them in sharing the gains of improvement

But gain-sharing or profit-sharing systems are no snap to implement. Managers should adjust to the idea that meaningful productivity-improvement programmes will probably traumatise management far more than workers

That is the counsel of managers and unionists gathered this week for a Johannesburg conference on gain sharing sponsored by the National Productivity Institute

"We are always concerned about how employees will make the change, but when we are honest with ourselves productivity improvement systems involve managers giving up control and power. At each successive level it gets harder for managers," said Sam Lewis, the keynote speaker, who for the past 12 years had lead a productivity improvement system tied to employee gain sharing that transformed a money-losing General Tyre plant in Mount Vernon, Illinois, into one of the world's most competitive tyre plants

In 1983, after a decade as a line worker, Lewis was asked to create a system to boost productivity by tapping employee ideas. At the time, the 48-acre plant was besieged with severe foreign competition, a recession, a legacy of autocratic management, and workers earning more than most of their foreign peers.

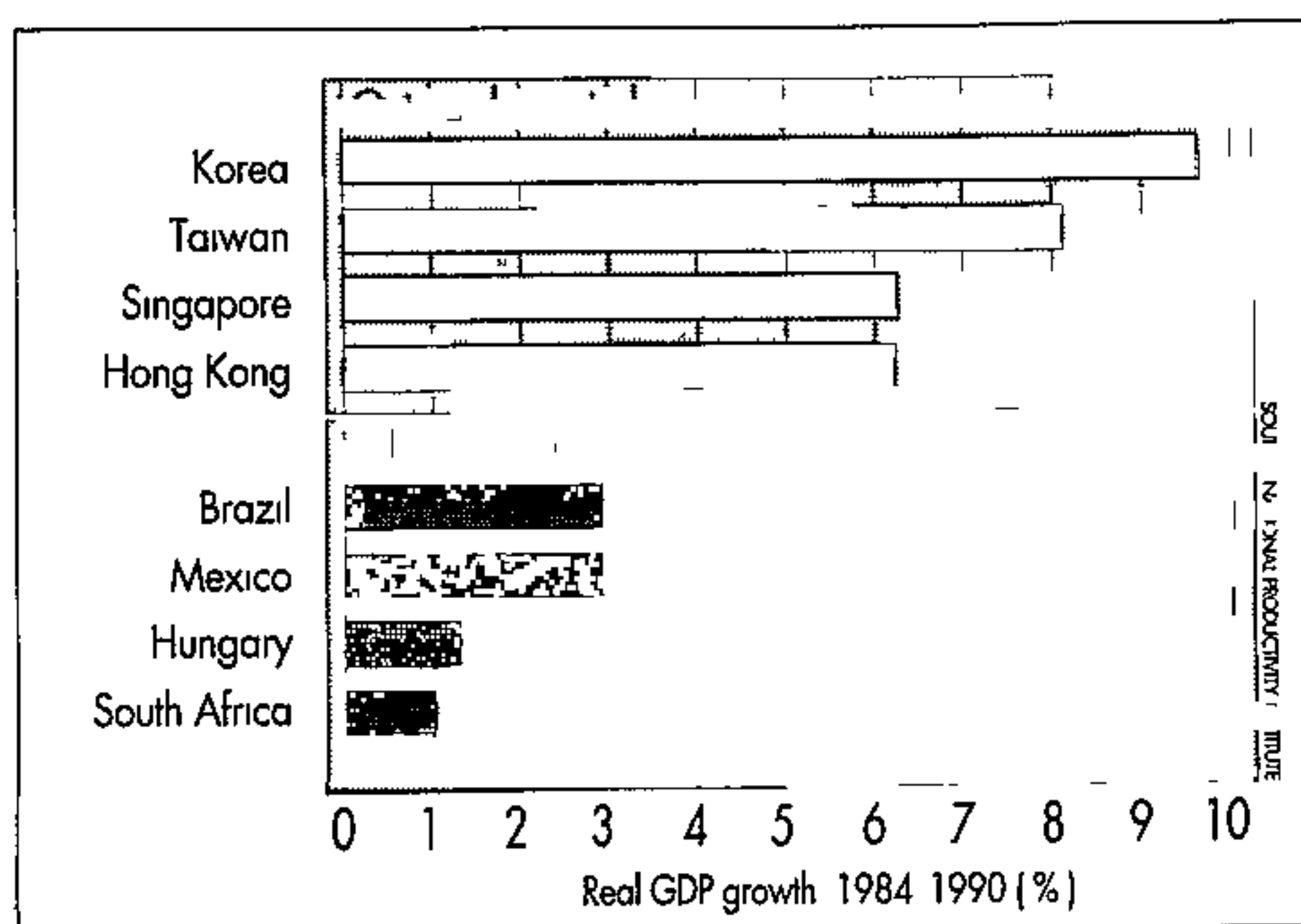
Since then he has processed more than 16 000 suggestions, which have helped make the plant one of the top 10 industrial plants in the United States, according to IndustryWeek magazine

Getting employees to volunteer their ideas and co-operate in improving productivity was a long, difficult task at General Tyre. As Lewis put it, "productivity improvement systems are a direction, not an end point."

The first challenge of a gain-sharing system was earning the trust of employees. Gaining trust meant employee involvement in every step of the scheme, he said

The system must be more than merely a suggestion box. To get meaningful ideas, General Tyre had to promise it would not retrench any workers — the most important issue to workers. Increased efficiency that came from employee ideas actually

Performance of outward-oriented vs inward-oriented economies



boosted competitiveness and allowed the workforce to expand from 1 200 to 2 000 workers

Making it work means ensuring employees have time and a place to meet to discuss ideas. When employees get a bonus based on cost control, all must understand exactly what costs are being controlled and why they matter

Fairness

A key question of fairness at General Tyre and other companies with gain-sharing systems is how savings or profit should be split. General Tyre shared profit as a percentage of base pay: the more an employee earned in base pay, the more bonus he got. However, many employees believed gains should be split evenly regardless of base pay.

Lewis said companies must cultivate the informal social leaders among workers who played an important role in convincing employees that the system was fair and transparent

Chris Lloyd, the chief negotiator for the National Union of Metalworkers of South Africa, which recently struck a landmark productivity-improvement agreement with the motor industry, seconded the need for full disclosure, clear explanations of what costs went into a final product and proper training to

manage areas of cost

"If a system is too complicated, workers won't believe in it and eventually it will fail," Lloyd said

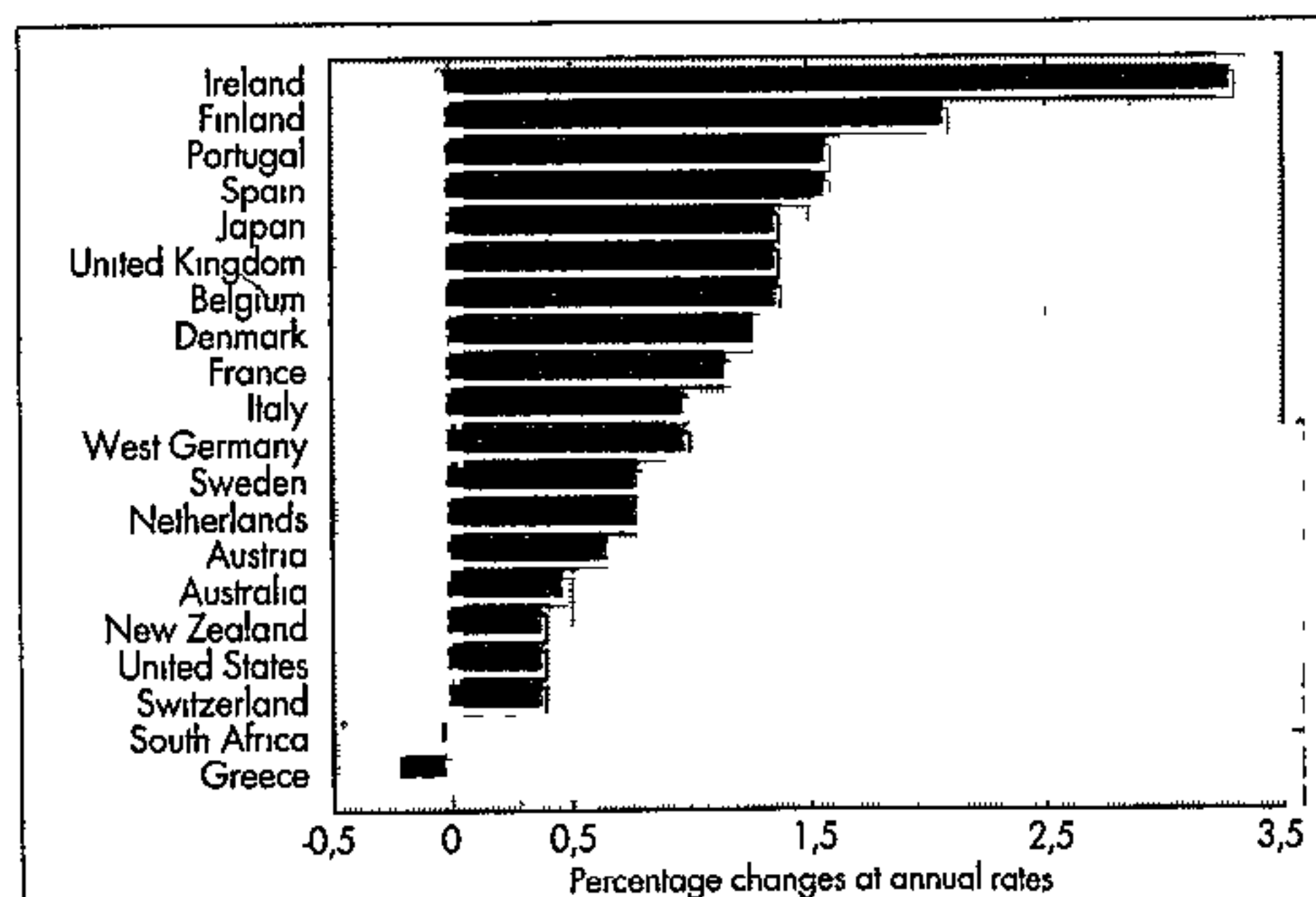
"Unions in South Africa are not against profit sharing if you disclose information to them. The problem with all employers is they only want to disclose information when they are in trouble," said George Nkadi-meng, a former National Union of Mineworkers official who was instrumental in implementing a gain-sharing system at East Rand Gold and Uranium

"Never underestimate the value of a suggestion," Lewis said, explaining that even small suggestions could often be developed into significant gains when employees had time and training needed to evaluate and discuss them. At General Tyre the first big problem with the system was that management itself was unprepared to implement suggestions, with staff thinly stretched and maintenance teams dedicated to dealing with emergencies, he said

To get the system going, General Tyre had to create a team dedicated to nothing but implementing changes in manufacturing and maintenance processes

Lewis said the effort at General Tyre had been harder than he initially believed, in part because it threw open questions about every structure and management system

Labour & Capital productivity in the private economy 1979 - 1993



Productivity levels must be boosted, says Absa

Samantha Sharpe

(247)

BD/18/9/95

SA WAS naive if it assumed its economy would be saved by grants or investment from the rest of the world, Absa Bank warned in its latest economic report.

The report said meaningful amounts of foreign investment could be attracted only "if we succeed in persuading foreigners that it will be worth their while to make such investments in SA"

This meant SA had to increase its economy's growth potential on its own, a move which could be achieved only by raising productivity levels

Without improved productivity "prosperity will almost certainly continue to decline and unemployment will increase further"

The report said the average output per employee in the US was 5,3 times that of SA. In the UK it was 2,7 times higher and in Singapore 2,4 times

"It is not surprising that the average standard of living per capita in the US is 9,2 times higher," the report said

A key factor to improving productivity was the privatisation of public assets, the report said.

Given the dismal saving and investment rate in the economy,

the proceeds from privatisation should be used to either reduce government debt or be invested in infrastructural assets

While it was government's responsibility to improve productivity in order to create a stable political and macroeconomic environment, the individual's role was also important

South Africans had to develop a mindset that would lead to higher efficiency and the will to continuously perform better. The corporate sector had to focus on "training, skills improvement, motivation of workers, research and the application of new techniques"

shed more than 120 000 jobs

CT(02)19/9/93

Productivity

cuts costs

(247)

BY CHRIS JENKINS

SPECIAL WRITER

A major productivity drive by Richards Bay Coal Terminal has saved the company's shareholders R240 million in capital costs

Chris Crampton, the business affairs manager, said train turn-around time had improved by 55 percent, true gross loading rates by 41 percent, costs a ton handled by 12 percent and the disabling injuries rate by 65 percent.

He said that five years ago conditions for productivity had been poor. Productivity improvement programmes were launched and an enormous investment was made in training and development.

In connection with the distribution of benefit addresses Centenary

Such departments in South Africa which p 18 September

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Finalists for small business award deliver the goods

DAVID BREIER
Staff Reporter

ASK not what the RDP can do for you — rather what you can do to develop South Africa

In a country of chronic whingers, that is the magic formula that has helped small Western Cape businessmen become their own bosses and provide jobs for many who would otherwise be unemployed

Six of the Western Cape's most enterprising small businesses have been selected as finalists for the Sanlam/Small Business Development Corporation (SBDC) entrepreneur of the year award to be announced on Tuesday at Zevenwacht Wine Estate, in association with Ernst & Young

The winner will go to the national finals at Gallagher Estate in Gauteng on September 26. There will also be an award next week for the socially responsible entrepreneur of the year

In these days of retrenchments and unemployment, a common thread running through the success stories of the finalists is that they were prepared to give up the security of safe jobs to seek their fortune in the business world

Like Ilse Neethling, who resigned her teaching job three years ago to become a highly successful chicken farmer employing 50 people

With many Western Cape teachers facing an uncertain future because of education budget cuts, Ms Neethling may have set a trend

Then there was Graeme Wells of Bothasig, who left a job at Xerotech, the copying machine people, with little more than an order from his former bosses for R75 000-worth of fuser rollers for copying machines

Now he has tied up the local market in rollers and is exporting to the United States, giving jobs to 10 workers who are being trained to improve their skills

Other finalists — Max Godlo, who runs a supermarket in Mbekweni, Peter Friedman, who makes products from seaweed in Simon's Town, Trevor and Joy Grey, who are challenging the might of the big fishing companies, and Anne Eales, who makes unusual clothing — all have similar tales to tell

The SBDC's business of lending money to small entrepreneurs is under siege in the new South Africa and has come under fire from elements in the government, who criticise it for not becoming involved in small businesses in the townships



□ **FISHY BUSINESS** Trevor and Joy Grey started fishing commercially in 1989. Later they bought Arniston Fishing and are repairing boats and will employ 27 people



□ **FOWL PLAY** Three years ago Ilse Neethling resigned from her teaching job. She now runs a hi-tech chicken farming business, which employs 50 people



□ **BIG MAX** Max Godlo began selling fruit and veggies from his house in the Paarl township of Mbekweni. Now his supermarket is the biggest business in Mbekweni



□ **GLAD RAGS** Anne Eales' business Naartjie Clothing provides 10 people and her three children with work. Her designs are sold at the Waterfront



□ **WELLS WINS** In five years Graeme Wells has tied up the local market for fuser rollers used in copying machines and is exporting to the United States



□ **KELP KING** Peter Friedman started Kelp Products in Simon's Town 17 years ago. His factory extracts growth stimulants from seaweed for agricultural use

High cost of SA's labour dilemma

■ Our trade unions may have gone too far in looking after workers' interests — and South Africa has paid the penalty through high unemployment and low investment, according to potential Taiwanese investors

DAVID BREIER
Political Staff

WORKERS in South Africa are not exactly known for their work ethic — but they have a strong pay ethic and this unproductive reputation is scaring away potential investors

This was the message from a four-man ministerial delegation from Taiwan in Cape Town this week

The high-level delegation discussed relations with South Africa, which is torn between maintaining recognition for Taiwan and recognizing the People's Republic of China at the same time

Taiwan is one of the phenomenal "tigers" of booming Asian economies — and the secret behind its success includes the relationship between unions and employers, says Hou-Sheng Chan, vice chairman of the Council of Labour Affairs in Taiwan — a position equivalent to deputy minister

Professor Chan expressed surprise that South Africa had the worst of both worlds — high labour costs and high unemployment

An abundant work-force usually pushed down labour costs, which encouraged more employment, he said.

The fact that this had not happened in South Africa showed that trade union muscle could act against the best interests of the unemployed majority by discouraging labour intensive industry, he suggested

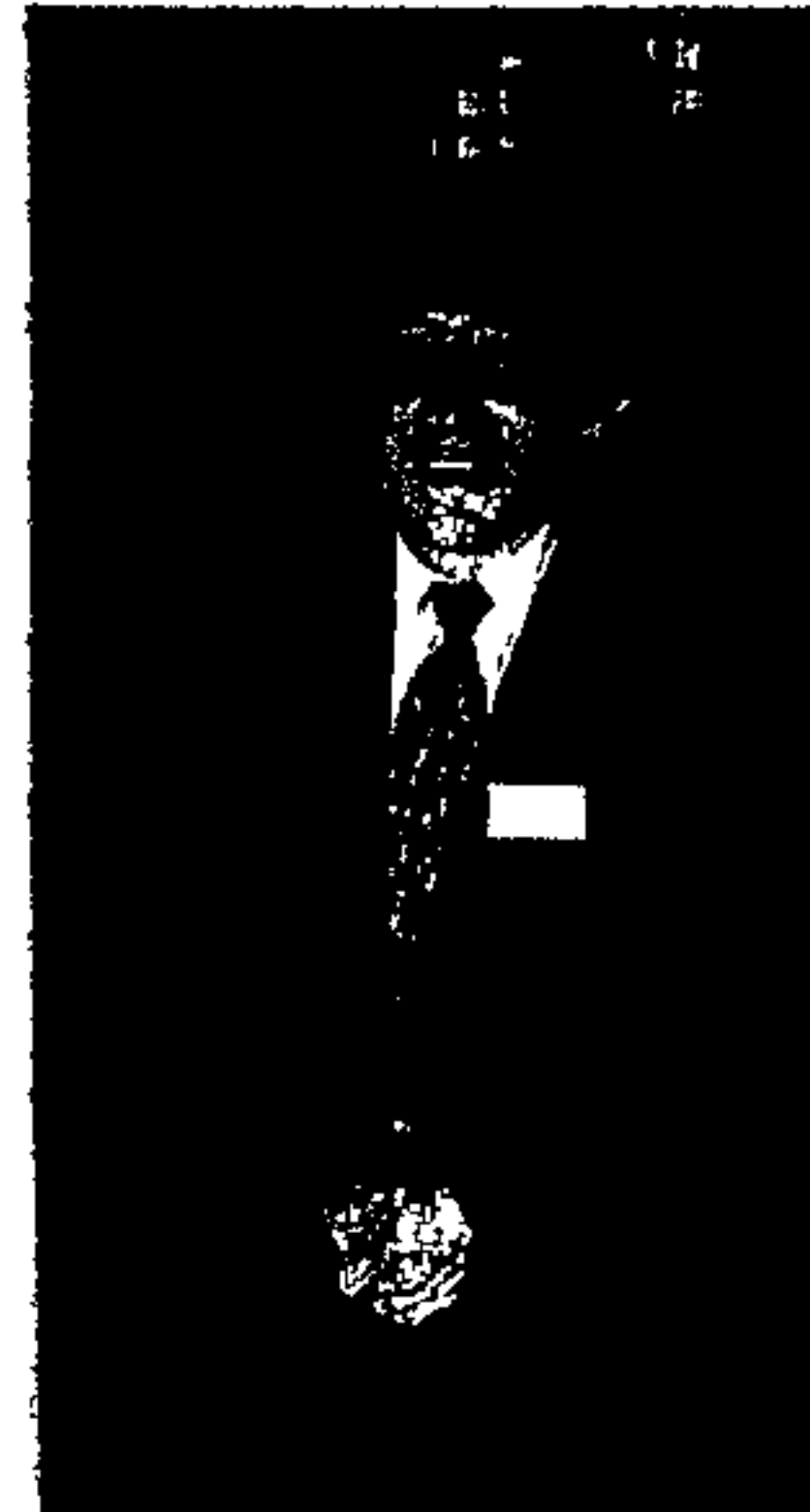
"There are more than two thousand trade unions in Taiwan," he said, adding that the relationship between unions and employers was highly constructive

"They both want a win-win situation," he said

The underlying motive in negotiations between Taiwanese unions and employers was that everybody's interests were best served not by cutting the cake differently, but by making the cake bigger, he said

Professor Chan said shopfloor meetings between management and labour were everyday occurrences in Taiwan to achieve stable relations between the two

But his impression of South Africa was that relations between unions and employers were confrontational rather than aimed at achieving stability for the benefit of both



□ **LABOUR COSTS 'TOO HIGH'** Hou-Sheng Chan, a sociologist and vice chairman of Taiwan's council of labour affairs, says investors are being scared away

Picture: DOUG PITHEY, Staff Photographer

Professor Chan said that dismissing highly paid and unproductive workers was not an option, as it would be an unfair labour practice

This dilemma discouraged investment in South Africa, he cautioned

Taiwanese employers placed very high emphasis on profit-sharing incentive schemes, which gave workers a stake in their firms — these included profit-linked incentive bonuses and shareholdings for workers

Professor Chan compared the high level of strikes in South Africa to the strikes in the United Kingdom in the 1960s and '70s, which lowered productivity in the UK, making it a less competitive economy

Top level Taiwanese government officials visiting Cape Town said high tax levels and frequent labour disputes in South Africa were the main factors discouraging investment

But the visiting Taiwanese were highly impressed at the tourist potential of the Western Cape after a whistle-stop tour that included a trip up the Table Mountain cableway and a visit to Cape Point

Tourists would "go crazy" about the beauties of the Cape, enthused Chi Schive, vice chairman of the Council for Economic Planning and Development in Taiwan

Dr Schive said if he were involved in investment in South Africa, he would expand the tourism infrastructure

"I would like to set up an African development fund," he said

Inefficient labour market 'holds growth to ransom'

(247) ~~247~~ ~~247~~
DEALING with the problem of the poor performance of the labour market was one of the most serious challenges facing SA today, the SA Chamber of Business (Sacob) said yesterday.

In its submission to the Labour Market Commission, Sacob said the labour market's poor performance over recent years had caused the economic marginalisation of an increasing proportion of the population and was an important deterrent to economic growth. BD 12/10/95

The commission was appointed earlier this year as part of Labour Minister Tito Mboweni's five-year programme of action to address issues of job creation and wage determination.

Sacob said an efficient labour market would contribute significantly to increased competitiveness, as well as to high growth and high levels of job creation.

Sacob favoured "the most flexible employment practices and wage structures possible, subject to the protection of basic human rights" and had serious doubts about the wisdom of a national minimum wage and a national income policy in the SA context.

While it recognised the need for a social security net, Sacob said the structure of such programmes should be aimed at "the protection of the individual rather than at protection of the job".

However, labour market policy was only one component of the measures available to government to increase growth and employment levels.

"Strict monetary policy, disciplined fiscal policy and a liberal trade policy are equally important."

Clarity on the respective roles of the National Economic Development and Labour Council (Nedlac) and Parliament would have to be obtained. It said Nedlac should not be the sole method of interaction between interest groups and government. — Sapa

JOBS

Employment comes second as the economy goes back to work

ST (B1) 8/10/95

(247) (247)

THE country's economic recovery is not creating employment because many companies are striving to boost their international competitiveness as import duties and surcharges tumble.

As the economy picks up, companies are generally not increasing their staff levels as they normally do," says Martin Westcott, managing director of PE Corporate Services.

He says retrenchment levels remain high and a survey conducted by his company recently found that 16% of participants expect to retrench more people over the

Higher productivity and improved competitiveness, rather than employing more people, have emerged as the top priorities of companies seeking to take advantage of a resurging economy, writes **ZILIA EFRAI**.

next 12 months

The survey of about 800 companies employing around 1.5-million people found that national staff turnover levels — the percentage of staff leaving companies each year — in the 12 months to June was running at 8%, up from 7% in 1994 and 6% in 1993. Retrenchment and dismissals

account for 15% of these turnover figures

Areas showing the highest levels of turnover were clerical and secretarial staff, followed by labourers and operatives and then artisan and skilled staff

Neil Macdonald, managing director of Chart Career Transition, a career counselling service, says

there has been a rise in retrenchments at middle and senior management levels as companies increasingly move to become more competitive by slashing staff levels and improving productivity

This is in line with an attempt to compete against the flood of imports available at highly compet-

itive prices because of reduced tariff protection and lower import duties

"A great many high performing and well qualified executives are having their services terminated because of factors that are well outside of their control," says Mr Macdonald

"Their employers may have benefited from protectionism — like the motor and textile industries — and must now go all out to become competitive with the ultimate aim of producing better priced, good quality products

"They are introducing flatter structures by removing layers of middle management and thus is leading to a reduction in the number of jobs available

"It follows that business is asking top executives on high salaries to leave. For a senior executive used to being on the command side of the desk, finding alternative employment is frightening"

He says larger companies are increasingly using the services of career transition consultants to help their outgoing employees seek alternative employment. This is because they recognise they have a responsibility to provide more than a good retrenchment package

Mr Westcott says many companies are using existing staff levels to produce more as the recovery takes hold. Companies are also looking critically at what people are doing and are often outsourcing certain functions

PE Corporate Services has found that, despite the retrenchments, the percentage of organisations experiencing a shortage of certain skills in the 12 months to September was 34%

The figure has steadily risen from 8% in the 12 months to April 1994, 14% in the year to September 1994 and 24% in the 12 months to April 1995

Mr Westcott attributes the rise in skills shortages to emigration, lack of skills training during the recession and higher demand for certain skills as the economy improves

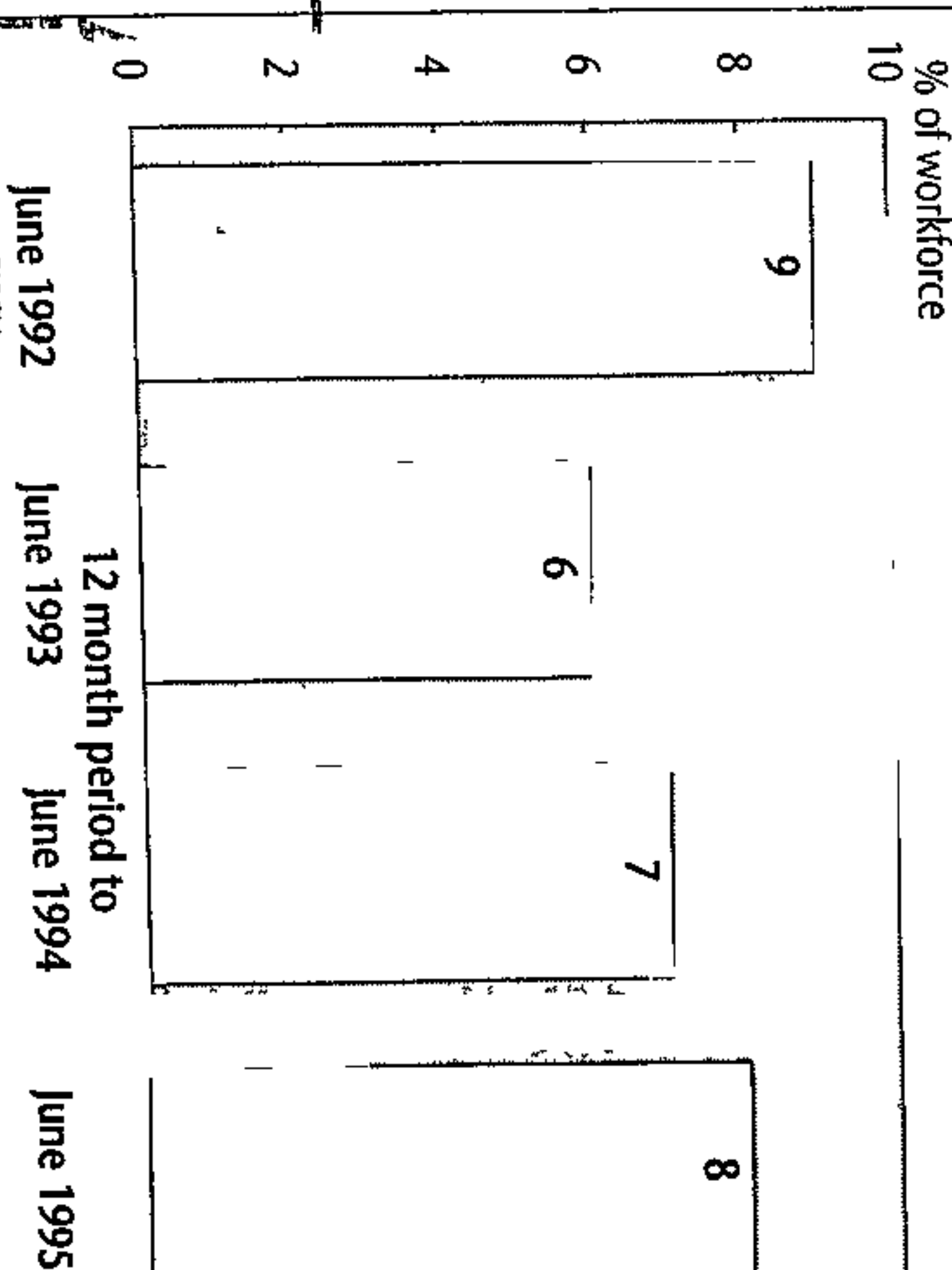
The most acute shortages a present are to be found in the areas of specialist and professional staff, financial and general management skills and information technology skills

"As volumes pick up, companies which have downsized are increasingly turning to the temporary market to help them cope with an increased volume of work in peak periods," says Rolan Brittan, managing director of Accountants-On-Call

"The reason for this shift in thinking is that managers are reluctant to increase their operational costs by re-employing or growing their staff base"

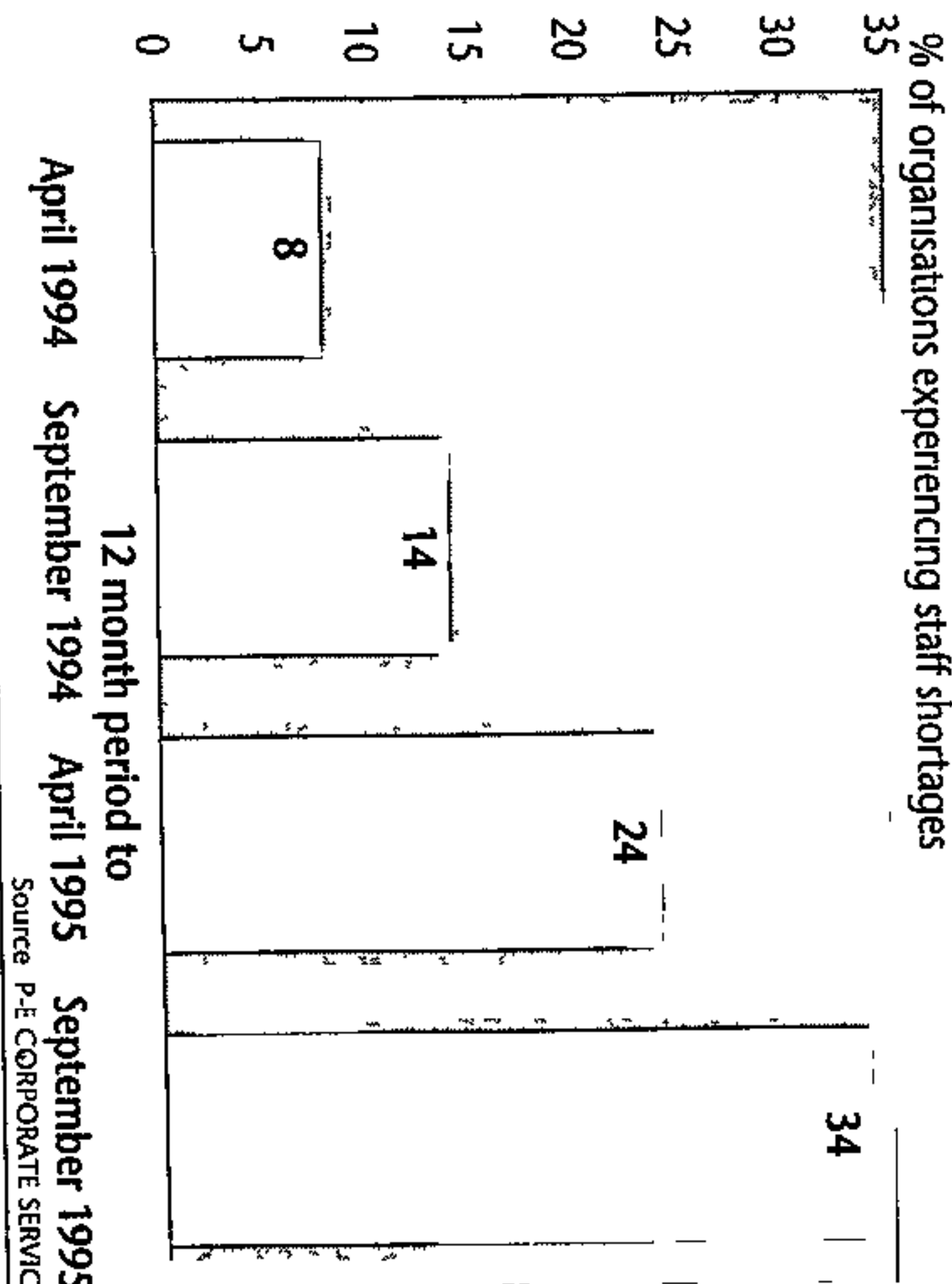
He says the use of temporary staff is up 75% compared with three years ago. The short-term medium-term division of Accountants-On-Call, which specialises in the temporary placement of financial and accounting personnel, has doubled and redoubled turnover since April 1994

STAFF TURNOVER



Graphic: FIONA KRISCH

STAFF SHORTAGES



Source: P-E CORPORATE SERVICES

8/10/95



WORKING BRIEF: Martin Westcott of PE Corporate Services

In human capital SA ranks bottom

ARG 4/11/95
(247)

MAUREEN MARUD

Business Reporter

SOUTH Africa's global competitiveness ranks last out of 48 countries when it comes to human resources

This country's overall place in terms of world competitiveness was 42nd, according to the 1995 World Competitiveness Report, jointly published every year by the World Economic Forum and the International Institute for Management Development in Lausanne, Switzerland

The report was summarised in Cape Town by Paul Hatty, who runs the SA Partner Institute, supplier of data to the report since South Africa began to be included in it four years ago. The report has been published since 1980

Mr Hatty said rankings were based on eight factors of competitiveness

"This country ranked worst in the people factor, last in the world behind Russia and India"

Under the people heading, this country ranked last in availability of skilled labour — "we are just not putting the effort, funds and resources into training skilled labour"

The level of compulsory education attained by the majority of people was inferior to that of foreign competition, as was economic literacy among the population

Still on the people front, South Africa ranked last in the development of aids as a source of concern for the future of the economy, and in worker motivation "Employees don't identify with company objectives"

The percentage of household income going to the lowest 20 percent of households was by far the worst in the world at 1,9 percent

Other areas under the people factor where South Africa ranked low were in the brain drain, the percentage of the population employed (19 percent), the adequacy of the education system to meet the needs of a competitive society, and the pupil/teacher ratio, which at the secondary school level was second worst 28 to 1

Computer literacy among employees was third worst in the world

In terms of alcohol and drug abuse posing a serious problem at the work place, South Africa was again among the worst

"The values of society don't support competitiveness. People in our country lack energy and enthusiasm," Mr Hatty said.

"We have to start addressing these liabilities if we are going to become internationally competitive."

The eight factors of competitiveness were

■ Domestic economic strength at a macro level;

■ Internationalisation, or the extent to which a country participated in international trade and investment,

■ The extent to which government policies were conducive to competitiveness,

■ The performance of financial markets and quality of financial services,

■ Infrastructure, or the extent to which resources and systems were adequate to serve the basic needs of business,

■ Management, or the extent to which enterprises were managed in an innovative, profitable and responsible manner;

■ Science and technology, or scientific and technological capacity together with the success of basic and applied research,

■ People, or the availability and qualifications and commitment of human resources

South Africa went from 37th place to 36th in the domestic economic strength factor

Regarding internationalisation, South Africa slipped from 38th position to 43rd

Assets in this factor included export market diversification, where South Africa was ranked first in the world.

"This is probably a legacy of apartheid and the sanctions," Mr Hatty said,

"South African businesses had to go out there and find new markets for the exports they needed because traditional markets were closed. The result is that we have the greatest export market diversification in the world"

Liabilities in this factor included restraints to cross border ventures. Here South Africa was ranked last

This country was also at the bottom end of the rankings when it came to teaching foreign languages at school, partnerships with foreign firms, and exports of goods and services.

South Africa had among the highest restrictions on partnerships with foreign firms. This was related to Reserve Bank restraints

This country ranked 38th

overall in the government factor. This ranking had declined consistently over four years.

Positives in the government factor included taxes on gasoline, where South Africa ranked seventh.

Negatives were market dominance by a few enterprises (48th), central government budget deficit (44th), serious crime (33rd), and a general feeling of security (43rd)

In the finance factor South Africa's ranking had improved from 21st place to 20th

"Good ratings were found in the stock market's performance, public trust in bankers, sophistication of the financial market, legal regulation of financial institutions and public confidence in financial intermediaries."

Poor ratings in the finance factor included access to foreign markets and the country's credit rating.

In infrastructure, South Africa went from 20 to 18 in 1995. This factor scored best out of all eight in South Africa's case with an overall ranking of 19 out of 48

A major negative in infrastructure was the country's lack of hydro-electric power

On the management front, South Africa's ranking had gone down two places to 35th in 1995 and was now behind the Philippines but ahead of Turkey

Weaknesses in management included the quality of industrial relations and lack of intercultural understanding

South Africa's third highest rating was in science and technology, which was 28th in 1995

Call for reform at plant level

FROM SABA

Employees could play a critical role in competitively restructuring their industries, Trevor Manuel, the minister of trade and industry, said yesterday.

Speaking at an Institute of Chartered Accountants function in Johannesburg, Manuel said the days of industrial protection on demand were dead.

Industrial restructuring would have to take place at the plant level. The participation of workers in this process was important for indus-

tries to achieve international competitiveness. However, companies would have to improve the disclosure of information to enable all stakeholders to take decisions.

"Sadly our disclosure requirements are notoriously lax," he said.

He urged companies to voluntarily establish a new code of conduct and not wait for legislation.

Manuel suggested that an annual presidential reconstruction and development programme award could be set up to encourage the corporate sector's commitment to the RDP.

(247) (72) CT(BR) 11/4/95

PRODUCTIVITY - ~~1997~~

1996 → ~~1997~~

October census in SA this year to cost R340 million

POLITICAL WRITER

THE first post-apartheid census is to be held on October 10 and is to cost R340 million

The census would also establish the levels of poverty in different geographical areas and in different groups, Minister Without Portfolio Jay Naidoo said yesterday

No one knew how many people were living in South Africa

"Millions of people don't even have addresses. We want to give them the dignity of a home address."

The census would provide important data that would enable the government to plan its policies more accurately and resources to be used more effectively. This would save billions of rand

"We have had no reliable figures for the population in the for-

mer homelands, informal settlements or rapidly urbanising areas — so in a sense it has been very difficult to plan and budget for schools, health service and social services in some parts"

Naidoo said the census would cost about R8 a head. This was half the R16 a head spent by Australia on its last census and the R21 a head spent by the United States. Botswana had spent R14 a head

Naidoo said 65 000 enumerators would visit about eight million homes to gather details

The census will be the first since the government came to power in 1994

The last census was held in 1991, but there was resistance among black people and many townships were assessed on the basis of aerial photographs

Last year, the Central Statistical

Service estimated the population to be 41 million, of whom 76% were black, 5,2 million were white, 3,5 million coloured and 1,1 million Asian

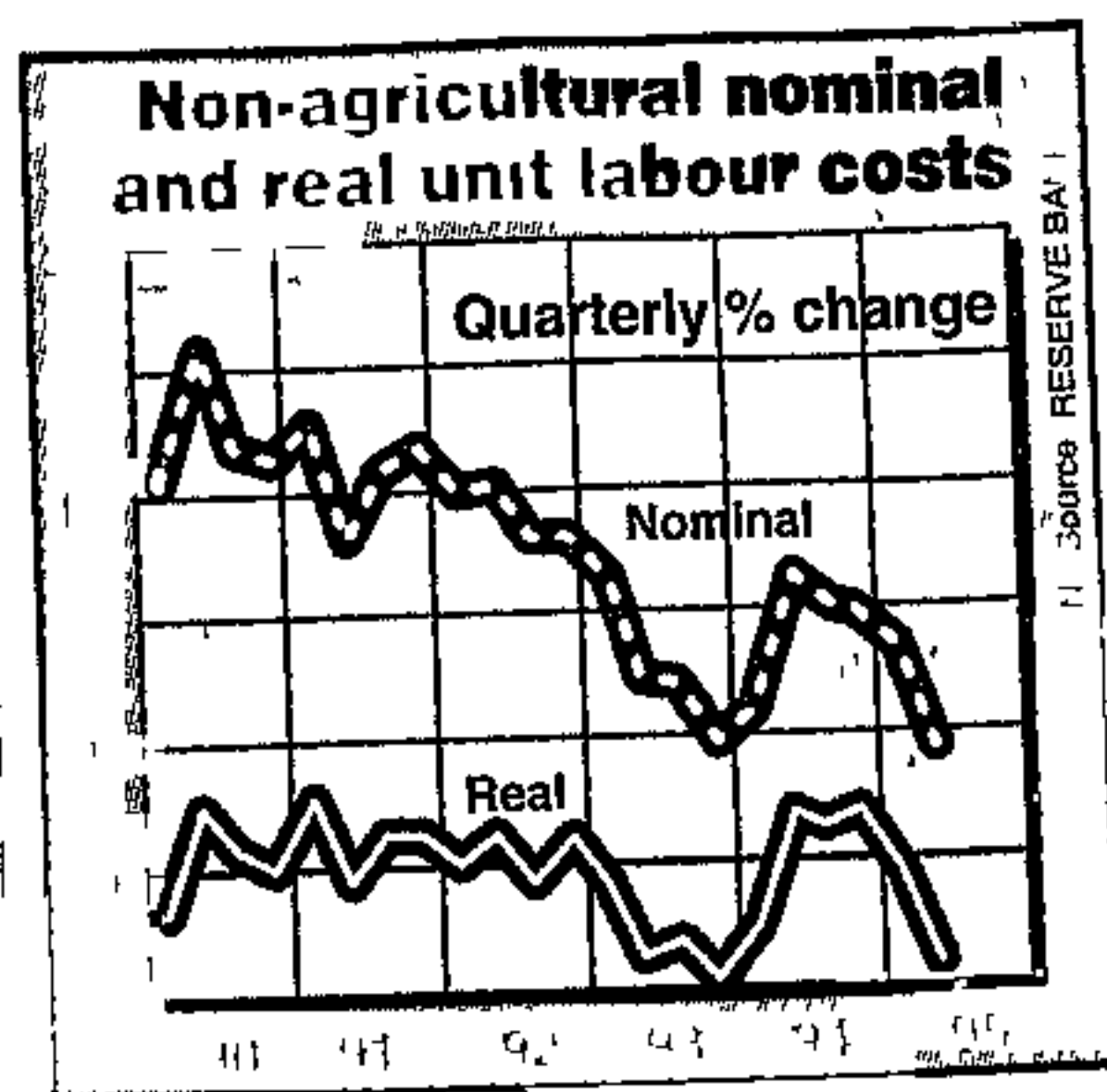
A census form comprising 27 questions is to be posted to people who have postal addresses. People in the rural areas are to be canvassed in person

Mr Pali Lehohla, head of the management for Census 96, said individuals would be asked questions about their age, gender, race, marital status, education level, employment, income and migration. The answers would make it possible to determine the composition of different areas and levels of urbanisation

Information would also be gleaned on such basic needs as water, sewerage, energy and housing, Lehohla said

CT 13/2/96

(247) (3044)



Productivity rise checks inflation

Mungo Soggot

AN INCREASE in labour productivity neutralised a stiff rate of increase in salaries to help quell overall inflation last year, the Reserve Bank said in its latest quarterly bulletin.

The Bank said a fall in the rate of increase in labour costs per production unit was a crucial factor behind the overall decrease in inflation, which averaged 8,7% for the year, compared with 9,4% in 1994. Inflation had also been nipped by lower food price increases and actual food price decreases. However, the downside of the productivity gain was that it had come on the back of declining employment, particularly in the public sector where 32 000 jobs had been wiped out by provincial governments.

"The upturn in economic activity was accompanied by weak employment growth, largely due to efforts by producers to contain cost increases and raise efficiency." The Bank noted that a drop in strikes and other work stop-

BD 13/3/96 Continued on Page 2

Reserve Bank

Continued from Page 1

pages had also helped productivity

It said the rate of increase in unit labour costs had sunk to 6,3% in the first half of last year, compared with 9,1% in 1994. "This slower growth, of course, contributed decisively to the waning of price inflation." The rate of increase in labour productivity in the economy excluding agriculture had been about 2,6% over the same six-month stretch, while real unit labour costs had been 2,1% lower than in the same period the previous year.

However, the Bank noted that in the first six months of last year, there had been an 11,1% increase in salaries and wages — just below the previous year's 12% increase. The Bank said the slight slowdown in wage and salary inflation was entirely due to a fall in the rate of increase of public-sector wages and salaries to 4,9% in the first half of last year, from 14,9% in 1994.

The public sector belt tightening was also the only factor behind the overall fall in employment in the first

half of last year.

The Bank said employment in the economy excluding agriculture had declined at seasonally adjusted and annualised rates of 0,8% and 1,6% in the first two quarters of last year. In the last two quarters of 1994 employment had picked up, breaking an uninterrupted fall in employment for almost five years.

The Bank said the sharp decrease in public sector employment last year, particularly in provincial government, was the first time since the end of the recession that the sector had witnessed substantial job cuts, after having increased its ranks steadily while the recession was in full swing.

It said non-agricultural private sector employment had increased between mid-1994 and mid-1995, at quarter-on-quarter seasonally adjusted and annualised rates of between 1% and 1,5%. Over the 12 months to June last year 40 000 employment opportunities had sprung up in the private sector. But over the same period there had been 350 000 newcomers to the ranks of SA's job seekers.

See Page 7

Big businesses 'need to plan for productivity'

(247)
Samantha Enslin
BD 4/4/96

BIG business needs a comprehensive productivity plan which not only takes workers to task for failing production but rigorously assesses all aspects of the company, says Andersen Consulting strategic services division head Adam Warden.

He feels corporate financial managers could be making a greater contribution to productivity by examining "balance sheet productivity" and not just worker performance.

"Management tends to see productivity as just a labour issue and thus it is usually the workers who bear the brunt of productivity exercises."

Financial managers should "make their balance sheets sweat" by reviewing the performance of all assets.

Warden says management needs to adopt a broader view of productivity and corporate performance. "Too often, financial managers are simply concerned with statutory or head office reporting requirements rather than value in the business as a whole," he says.

Simple cost-cutting exercises needed to make way for more of an investment in systems, skills and training.

Manuel blames management for low productivity

Man 31/5/96
Cape Town - Finance Minister Trevor Manuel has blamed management for the country's poor productivity levels.

"Without a doubt in South Africa the major let-down is managerial productivity," he said during debate in the Senate yesterday.

(247) (182)
He was responding to questions about a report compiled by the International Institute of Management Development which ranked South Africa 44 of 46 countries in terms of its productivity.

Workers did not decide themselves when they would be

trained, what machinery to buy, or how their work should be organised, Manuel said.

"All of it is sadly a reflection of managerial competence in South Africa."

Criticism was not meant to be anti-business, but people had to see the complete picture - AFP

Industry gears up for big wage battle

By CAROL PATON

THE slowdown in the economy, coupled with growing pressure on firms to become internationally competitive, will make for a tough round of bargaining in annual wage negotiations, under way in earnest this month.

Although inflation now stands at its lowest in many years, at 5.5 percent, Cosatu has said that its affiliates will bring factors like the hike in the bond rate into wage negotiations.

Firms are also having to respond to demands from unions to teach workers new skills as they restructure for international competition. Leading the field with this approach is the Na-

tional Union of Metalworkers of South Africa, which has initiated a wage modelling exercise with the Steel and Engineering Industries Federation of South Africa.

Enoch Godongwana, the union's general secretary, said "It will mean a wage rise, but a more skilled workforce will lead to increased productivity."

In the clothing industry, which is suffering the hardest blows of international competition, employers and the South African Clothing and Textile Workers Union are in the middle of a bitter dispute. Coupled with competition problems are the comparatively low wages in the industry. The offer of seven percent has been

firmly rejected by workers, who want 10 percent.

Nunsa has also put forward an innovative strategy, proposing a two-year agreement linked to inflation, and multiskilling and broad-banding of occupational categories. The union is demanding increases of up to 100 percent for the lowest paid and 18 percent for workers in higher grades. Negotiations begin on Friday.

In the chemical industry, the Chemical Industrial Workers' Union is likely to tie up an agreement with 600 employers this week for an interim centralised bargaining arrangement. The union is demanding a 20 percent increase or a monthly minimum of R1 800.

NUM backs drives to increase productivity

Renee Grawitzky

THE National Union of Mineworkers was not opposed to measures to improve productivity, provided the benefits were shared equitably, the union's president James Motlatsi told the sub-Saharan Oil and Mineral conference yesterday.

Motlatsi said the union had been involved in a number of initiatives at mine and industry level which contributed to promoting increased productivity.

"The union had always promoted an increase in worker participation in the industry, he said.

This had been reflected in the participation in forums at various levels to discuss and co-ordinate change process

"While labour relations remain cast in their traditional antagonistic form, particularly where wages are concerned, forums have tackled issues that have not been at the centre of collective bargaining in the past," he said.

These had included affirmative action, profit share, adult basic education and hostel democratisation

Motlatsi said that workers were not going to participate enthusiastically in productivity drives that "mean they will lose their livelihood".

Measures were needed to protect the interests and futures of workers who lost their jobs as a result of changes needed to improve productivity and the viability of the mine in the long term

In this regard the union promoted the development of an industrial development policy for all mining towns, the promotion of human resource development to facilitate increased training and a social plan, Motlatsi said

20/12/96

See Page 17

Pollution control costs govt R60m

THE government was spending more than R60m a year on controlling the pollution emanating from abandoned collieries, Water Affairs and Forestry Minister Kader Asmal said.

Asmal told delegates at the oil and minerals conference in Johannesburg yesterday that his department was spending more than R60m a year on the construction of pollution-control facilities for collieries that closed before mine closures procedures were introduced in 1956.

In addition, immediate-term control projects could cost SA between R200m and R300m for coal mining water control projects, Asmal said.

"Mines are by nature damaging to the environment and, with historically poor regulation, the country is now footing the bill and having to count the cost when it most needs all the resources it can muster for social and economic renewal," he said.

Asmal said before the introduction of the Water Act of 1956, there was no statutory requirement for environmental management by mines.

The state was now responsible for the management of the mines that closed down before the Act.

He said damage to the environment, caused by acid mine drainage, persisted indefinitely

and manifested itself over long periods of time

The pollution presented a problem of national proportions, as the bulk of the major coal and gold mining areas were situated in the upper reaches of the country's major rivers Asmal said there was a "critical need for disciplined environmental practices" within the mining industry.

All countries in sub-Saharan Africa should "appreciate that mature environmental and water policies must be developed and implemented before mining permissions are granted, and as far as is possible imposed on existing operations". However, a balance had to exist between environmental protection and sustained economic development.

"Overregulation and unreasonable standards on the one hand will deter desperately needed foreign investment in our minerals industry."

All activities affected the environment in one way or another, and one had to work out the financial costs of each aspect. He said there had to be regulation that was balanced with other economic and social strategies

"A co-operative relationship between a responsible industry and an understanding government is the only solution," Asmal said. — Sapa.

20/12/96

Why attitudes must change on productivity

247

MTC (PMM) 21-27/6/96

TO compete in the increasingly interconnected and competitive world economy, South Africa will have to improve its productivity. The problem is that both workers and middle management are highly suspicious about the very concept, fearing for their jobs and influence.

But the Labour Market Commission says business and labour have little choice but to change their attitudes towards productivity.

It said that although some firms had become more conscious of the need to improve productivity because of the opening up of the economy, there was still "widespread antipathy" to the idea.

Several submissions to the commission had indicated that this antipathy was based on fears that introducing changes in work organisation or technology would lead to significant job losses.

This was exacerbated by adversarial relations between management and unions, low skills levels among workers and a lack of management skills.

The commission said this high-

lighted the need for more training, a move to multi-shifts, greater co-operation through workplace forums and the revision of the role of the National Productivity Institute (NPI).

The NPI's board should be more broadly representative of business and labour, and the commission said it did not think the NPI should be involved in private sector consultancy services.

It should also not be responsible for collecting data on productivity "given that measures of productivity and the interpretation of productivity performance are highly contentious issues".

Instead, the NPI should be involved in the extensive promotion of productivity issues, and the commission said it should investigate whether it would be necessary to run a high profile campaign on productivity.

The commission also supported plans by the Ministry of Labour to replace the Basic Conditions of Employment Act and the Wage Act with a new Employment Standards Statute to concentrate more on promoting productivity.

Task team meeting on initiative to aid industrial competitiveness

John Dladu

180 (247) BD 8/7/96
A TASK team investigating the cluster studies initiative — think-tank mechanisms established to draw up development plans for individual industries — is meeting this week to begin discussing the programme's preliminary results.

The studies, co-ordinated by the trade and industry department, the National Economic, Development and Labour Council (Nedlac) and the Industrial Development Corporation, are part of an initiative by department director-general Zavareh Rustomjee to spotlight underlying impediments to firms and sectors becoming more competitive and to remove obstacles to downstream development.

Alan Hirsch, the department's chief director of industry and technology strategy, said this week's meeting would also set time frames on the programme. "It is advancing very well," he said. The possibility of extending the initiative into the provinces was being explored.

Hirsch said the findings would not be "a menu for the amount of government intervention" that would be required, as had been the case with the motor, clothing and textiles sectors — the three wobbly industries which underwent restructuring recently after years of tariff protection.

Instead, the results of the investigations should lead to inter- and intra-industry collaboration, without gov-

ernment intervention in some cases.

About 12 studies were being looked at, including a stainless steel and product cluster, an aluminium and product cluster, forestry products, pottery and earthenware; footwear, jewellery, petrochemicals, plastics and fibres, electronics, and a carbon steel and product cluster.

Industrial analysts have pointed out that the success of cluster initiatives depends on industry participation in the identification and resolution of its problems.

Business participation

When faced with a barrage of criticism from business for his hasty phasing out of the general export incentive scheme subsidy, Rustomjee invited business to participate in the studies. He warned that the department would rather tackle fundamental issues of uncompetitiveness than continue to mollycoddle sectors.

Hirsch was satisfied with the level of participation by business in the initiative, which was being financed by Nedlac's Japanese Grant Fund, the IDC and the department.

He said he saw no clash between the cluster programme and recently unveiled incentives, saying they complemented each other. Government's macroeconomic package was a "broad plan" that provided a framework and the cluster programme would identify specific initiatives.

JOBS

Light at the end of productivity tunnel leads way

ST(BT) 4/8/96

(247)

By DON ROBERTSON

JOB growth 30 times higher than the current rate plus improved productivity is needed if the 400 000 new workers entering the market each year are to be absorbed, according to the National Productivity Institute

In 1995 the private sector created only 11 400 new jobs, with transport, communication and financial services providing the biggest growth. The mining and quarrying, construction and manufacturing sectors suffered the biggest job losses.

But while job creation was totally inadequate, the percentage growth in economic performance was slightly higher than the growth in population, resulting in a marginal rise in living standards.

Dr Jan Visser, executive director of the National Productivity Institute, says, however, that some small but encouraging gains in productivity have been experienced over the past three years.

Announcing details of an international productivity assembly to be held at the Carlton Hotel in Johannesburg on September 3 and 4, Visser said that in 1993 multifactor productivity — a weighted combination of labour and capital productivity — rose by 2,5%. It increased the following year to 3,1% and by a further 2,5% in 1995. Labour productivity itself rose by 3% last year.

The 1995 increase, however, was accompanied by a rise in employment of only 0,2% or 11 400 jobs, while capital input rose 1,2%.

This suggests that more money was spent on equipment and technology than on labour last year, which will mean that the workforce will have the tools to become even more productive in future, says Visser.

The productivity assembly will be sponsored by the NPI, the World Confederation of Productivity Science and the Pan-African Productivity Association. It is expected to attract 350 delegates from 22 countries as well as 50 speakers.

The challenge, says Visser, is for South Africa to become a truly export-orientated nation.

To achieve this it will have to improve productivity further and overcome the belief that its manufacturing industry is not internationally competitive.

Productivity improvements are not only the responsibility of workers, but also of management, he says.

But management is "pretty laid back when it comes to productivity improvements and with this attitude they deserve what they get", says Visser.

"For productivity improvements to be achieved, it needs a 'champion' in each company, a legitimate person who should take the employees along with him and empower them to improve then share the increased wealth with them."

He says the high number of strikes in South Africa is another problem which sends a "disastrous" message to potential foreign investors.

"We need to go up a couple of gears and make significant gains. One way is by accessing the best information — local and global — on how to create more wealth, more jobs and a more highly skilled workforce."

"We need to instil a productivity culture. We need some inspiration, sober appraisals of where we are going wrong and what we should change and this will be available at the assembly."

ST (BT)
4/8/96

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PRIVATE SECTOR PRODUCTIVITY CHANGES (1995 COMPARED TO 1994)

SECTOR	RELATIVE CONTRI- BUTION	REAL OUTPUT	LABOUR INPUT	CAPITAL INPUT	LABOUR PRODUC- TIVITY	FIXED CAPITAL PRODUC- TIVITY	MULTI- FACTOR PRODUC- TIVITY	CAPITAL- LABOUR RATIO	CONTRI- BUTION TO GDP
	%				% per annum			R/worker	%
1. Manufacturing	1.1	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1
2. Construction	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
3. Retail trade	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
4. Wholesale trade	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
5. Finance and insurance	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
6. Real estate	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
7. Business services	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
8. Health and social work	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
9. Education	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
10. Government	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
11. Other services	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
12. Total private sector	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1

Graphic: FIONA KRISCH

Source: NATIONAL PRODUCTIVITY INSTITUTE

SA fights back to dull the edge of poor productivity

Edward West

THE recent World Competitiveness Report may have put SA second last of 48 countries, but a fightback is under way, according to the National Productivity Institute.

NPI figures show that SA has made productivity gains for three consecutive years. Although the gains are small, the NPI believes it could pave the way for a significant resurgence.

The NPI and its associate the Pan-African Productivity Association for the World Confederation of Productivity Science are to host the World Productivity Assembly next month, an event which brings nearly 60 local and global productivity experts to SA at a time when the weak rand and low productivity in the international league tables raise doubts about SA's global competitiveness.

According to the NPI, the 1995 multifactor productivity — a weighted combination of labour and capital productivity — rose by 2,5%. This was on top of a rise of 3,1% in 1994 and a 2,6% increase in 1993. Labour productivity rose 3% last year.

"These gains may be dwarfed by the strides taken by some of our global competitors, but at least a turnaround is evident," said NPI executive director Jan Visser. Labour input (new jobs) was up 0,2%, while capital input was up 1,2%. "In other words more money is being spent on equipment and

technology than on labour, suggesting the work force will have the tools to become even more productive in future," he said.

Another positive factor was that manufacturing saw real output rise by 7,6%, while its multifactor productivity increased by 5,3% last year. Mining and quarrying output declined 3,6% in real terms, while the sectors' multifactor productivity fell by 2,5%.

Visser said these figures needed to improve even further. For instance, the 0,2% rise in labour output equated to 11 400 new jobs. But

400 000 jobs a year had to be created to provide work for the annual influx of new job seekers.

The formal sector currently employed the same number of people as in 1980, and the number of people employed in factories was the same as it was in 1975.

Visser believed that the World Productivity Assembly could prove to be a turning point, a chance to show that SA and its neighbours were not yet ready to be written off. "There's a little light at the end of the tunnel, but it must shine a lot brighter to make real progress."

Productivity: A national priority

(247) MTG 23-29/8/96 (ABM)

Dr Jan Visser talks to
Madeleine Mackernagel
about why management
and unions must
co-operate if South Africa is
to boost productivity

SOUTH AFRICA'S productivity is notoriously poor by international standards — the latest World Competitiveness Report puts us second-last out of 48 countries

Not a good record, agrees Dr Jan Visser, executive director of the National Productivity Institute (NPI), which is hosting the World Productivity Assembly next month. But productivity is an organisational issue rather than a national norm.

"One of the biggest problems in terms of raising productivity in this country is the lack of co-operation between management and unions. They tend to fight, not to support each other. Strike negotiations are a case in point — a perfect example of how not to work together."

"For too long, organisations have set their sights on creating profits for shareholders, as opposed to creating wealth that can be shared around more equitably."

"The aim now should be not how to cut down on the input and still increase the output, but how to get the most from your throughput. Good resources have to be used to their



Dr Jan Visser 'Our first priority is to get the economy growing ...'

maximum potential, and that includes labour. But management, too often, lacks the skills and leadership to get the most out of the workforce in the most productive way."

The NPI advises between 500 and 600 companies a year on enhancing productivity — the big issue at the moment being improving commun-

unless we work together towards a common goal and a common vision, we will not succeed.

"That's where the Asians got it right. Management offered a *quid pro quo* workers would keep their jobs if productivity was increased. Thus, greater input translated into greater output, their exports boomed, and their standard of living improved."

Foreign direct investment is the most effective way of transferring the skills South Africa needs, but so far that bricks and mortar capital has been outgunned by portfolio buying, as reflected in the balance of payments.

One of our biggest economic problems, the current account deficit has been in the red for the past seven consecutive quarters. The answer is to export more, says Visser. Competing on the international stage also means becoming more capital-intensive. "We can't fight the world with last year's production methods."

But this raises the question of capital versus labour. With such a massive unemployment rate, can we really afford to become capital-intensive?

"Our first priority is to get the economy growing, then jobs will follow. Concentrating on labour-intensive production methods could be counter-productive as we become increasingly uncompetitive on international markets. But in addition, companies choose the capital-intensive route because they feel they are being held to

ransom by the unions. They deliberately steer away from using more labour if they feel they cannot trust the workers to co-operate."

Which brings us back to Visser's original argument — the lack of co-operation between management and labour. "The whole industrial relations debate is focused on negotiating at a national level, but productivity takes place at an individual organisational level. Companies are not skilled enough at bargaining, so they take the easier option of adopting national measures. This is counter-productive."

And also helps to explain why the few tentative steps taken by unions and management to set pay increases in line with productivity targets have failed to lead anywhere.

"So far," says Visser, "there has been a lot of talk and very little action."

But South Africa is learning, with the help of international competition. "We fell behind somewhat during the period of isolation," says Visser, "but already, managers are taking greater interest in overseas developments and applying them locally, albeit slowly."

He hopes the World Productivity Assembly on September 3 to 4 will help to foster that enthusiasm. "It all boils down to education and training, one of South Africa's biggest downfalls. In addition, we lack 'productivity champions' — people at the top who orchestrate change and so increase productivity from the bottom up." Local and foreign specialists will be on hand to provide a lift

(247)
Cabinet 'must act on productivity'

ET(BR) 27/8/96

By James Lamont

INDUSTRIAL EDITOR

Johannesburg — A Cabinet committee should be established to evaluate and follow up the effect decisions taken by the Cabinet will have on productivity in South African companies, Jan Visser, the director of the National Productivity Institute, said yesterday.

Visser said that this recommendation by the labour market commission would "elevate the issue of productivity into the Cabinet room".

The labour market commission report released earlier this year and the government's macro-economic policy had both identified the need for local companies to become more productive, though "previous governments never once recognised productivity as a key factor in the scheme of things", he said.

In a country where heads of organisations were seldom champions of productivity, he said, Nelson Mandela, the head of state, should throw his weight behind productivity promotion as had been done in Taiwan, Korea and Japan.

A World Competitiveness Report, released earlier this year, placed South Africa second-last out of 48 countries in terms of productivity ranking. The country's labour productivity is also

often compared unfavourably with other emerging markets like Mexico.

South Africa has a production value of \$2 700 a person a year, according to the institute's figures. Last year, manufacturing sector labour productivity rose 7,3 percent. However, this rise was not matched by a private-sector employment growth of 0,2 percent, which created only 11 400 jobs.

Visser warned that productivity was much misunderstood and should not be construed as a broad national issue. "It is wrong to think about national productivity — national productivity is only the sum total of productivity in individual companies," he said.

South African businesses frequently did not measure productivity, he said, but insisted on a bottom-line focus. "They look at profits and profits only," he said. "Many managers think productivity just concerns the labourer — that is fundamentally wrong," he said.

Productivity was enhanced by doing



NATIONAL INTEREST Jan Visser wants Nelson Mandela to push productivity

PHOTO JOHN WOODROOF

"the right things" in industry clusters, he said, including the deployment of capital, training, development of quality management and technology.

But he said that the labour market remained too constrained in South Africa, which was enjoying freer market forces than it had for decades.

He said it was a mistake for the labour movement to enter central bargaining structures, because bargaining at individual company level could introduce gain-sharing agreements and incentive wages that would ease the adversarial climate between business and the unions.



Unless there is an improvement in productivity South Africa is doomed, says Mboweni.

Mboweni cautions about productivity

(247)

Sauerstein 4/9/98

By Shadrack Mashalaba

SOUTH AFRICA FACES many serious hurdles along the road to improved productivity — which unless they are overcome will see the country slide into a quagmire, says Labour Minister Tito Mboweni.

He was speaking at the ninth World Productivity Assembly at the Carlton Hotel in Johannesburg yesterday.

He said workplace organisation in too many of South Africa's factories and mines was hierarchical and rigid.

"Unproductive layers of management and supervision, earning differentials between management and workers are notoriously large, industrial relations are adversarial and dominated by distributional battles, our workforce is undertrained, under-skilled and undermotivated," said Mboweni.

According him, policies and programmes for enhancing productivity are by no means confined to the labour market and the industrial relations systems alone.

"Our technology policies and pro-

Minister's approach to productivity enhancement rests on commitment

grammes, our industrial policies and education system are three other key determinants of productivity," he said.

Mboweni said his approach to productivity enhancement rested on four essential pillars and these were:

- A labour relations system rooted in collective bargaining, dispute resolution and shopfloor dialogue,
- Flexible application of minimum standards,
- A commitment to share the fruits of productivity increase, and
- Commitment to training.

He added that the new Labour Relations Act was sensitive in distributive bargaining, and co-operative interactions directed at enhancing productivity.

"If productivity growth is to be compatible with the national priority of job creation, then it must lead to increased access to markets and investment.

"Enhancement of workforce skills is still under consideration and results

of our deliberations will infamously be made public," he said.

Addressing the same gathering World Confederation of Productivity science president Jean Claude said the country needed a clear understanding and vision of where it was going.

Key element

"The key element to change is vision of a management with strategies in implementing productivity enhancement programmes - execution is what matters most. In addition strategies need rather to shoot from the bottom to succeed," said Claude.

The two-day conference has been organised by National Productivity Institute, World Confederation of Productivity Science and Pan African Productivity Association.

The conference is being attended by local and international delegates — including representatives from governments.

'SA needs flexibility and basic safety net'

By Guy Oliver

CT(OR) 4/9/96 LABOUR EDITOR

Johannesburg — A South African productivity strategy would have to combine the promotion of greater labour flexibility with a minimum standard safety net, Tito Mboweni, the labour minister, said at the 10th World Productivity Assembly in Johannesburg yesterday. Mboweni took pains to point out that he was not using flexibility as a euphemism for the elimination of minimum standards, however, though he said he was aware that "rigid application of minimum standards (might) retard productivity enhancement".

He said discussions started by the labour department would result in a new employment statute to place minimum standards within broadly defined limits that "may be flexibly interpreted in order to suit the operational requirements of different sectors and workplaces". But he rejected any interpretation of this flexibility as strengthening the hand of management at the expense of labour.

He said South Africa would not follow the Thatcherite and Reaganite labour policies, as used in their extreme forms against the British miners' strike and US traffic controllers' dispute.

"We are committed to a more co-operative approach, with clearly defined rights and obligations for both workers and employers in collective bargaining."

The path to greater productivity, he said, was hamstrung by rigid and hierarchical labour practices in factories and mines, where "unproductive layers of management and supervisory proliferation" had proliferated. He called South Africa's workforce, prejudiced by apartheid's "fat and mean" workplaces, "undertrained, underskilled and undermotivated".

"We are reaping the bitter fruit of a cheap labour strategy, powerfully evidenced by the unusually low contribution that South African employers make to training," he said. "This will have to change."

He said increased productivity would depend on a labour-relations system rooted in collective bargaining, dispute resolution and shopfloor dialogue, the flexible application of minimum standards, a commitment to "share the fruits of productivity increases" and a commitment to worker training.

In the World Economic Forum's Global Competitiveness Report, released in May, South Africa was ranked 43rd out of 49 nations.

Public servants 'must be more productive'

OWN CORRESPONDENT

PRETORIA: If public servants are to be paid salaries similar to those in the private sector, they should seriously examine their productivity, Minister of Public Service and Administration Dr Zola Skweyiya says.

A person's value should no longer be graded according to years of experience, but product delivery, quality of service and depth and maturity of work decisions.

Skweyiya was speaking at the opening in Rustenburg yesterday of the Public Servants Association's annual congress.

New and old public servants alike needed to examine their attitudes as changes were necessary in the work ethos, attitudes to colleagues and performance.

Although salaries in the public sector were beginning to compare favourably with those in the private sector, civil servants should demand of themselves greater standards of productivity than those in the private sector.

"Service orientation is something we need to become highly trained for and attuned to."

The Government Employees Pension Fund needed a board of trustees, Skweyiya said. Scrupulous attention should be given to formalising the implementation of the restructured pension benefits.

Sapa reports that the president of the Public Servants Association, Mr Koot Myburgh, said attempts to retrench public servants in the guise of rationalisation needed to be addressed urgently.

Some government departments were ignoring guidelines for making their staffs more representative, he said.

Attempts are made to retrench personnel to make appointments from outside the public service, even at clerk level.

Myburgh also expressed concern that some government and provincial departments were not capable of coping with their larger degree of autonomy. Powers should be carefully delineated, he said.

as it faces growing global competition
SA is second last in the world productivity index — 43rd out of 44 countries in productivity growth over five years, according to the *World Competitiveness Yearbook*

Attending the National Productivity Institute (NPI)'s world conference in Johannesburg, professor in comparative management at the School of Business of Tokyo's Nihon University Akira Goshi delivered some home truths that, perhaps, even the NPI didn't like

Goshi, a regular visitor to SA for the past nine years, says it is wrong for a government-funded body to offer consultation services, in competition with the private sector



Akira Goshi

"It should focus on training and introducing advanced management techniques to a country seeking to improve its productivity record and help it to become a more efficient global competitor"

The key to Japan's post-war productivity revolution was the drive and desire to survive economically. This led to two major workplace developments: voluntary joint consultation committees — involving top management and union representatives, and the payment of twice-yearly performance bonuses based on productivity improvements

Consultation committees, he says, allow for transparent discussions on issues such as new technologies, product developments — virtually every aspect of company activities

And, he adds, while this is an important business and productivity tool in unicultural Japan, it is vital in multicultural, multi-ethnic and multilingual SA,

Twice-yearly performance bonuses, says Goshi, can add up to an extra five months' salary. "This incentive for increased productivity also grows from the Japanese system of encouraging each worker, operating in so-called quality circles, to submit as many productivity improvement suggestions as possible. At Toyota, workers submit up to 270 suggestions a year"

Apart from constant productivity and quality growth, "we have no strikes," says Goshi. And the secret to making the suggestion system work well is that a

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special secretariat investigates — and responds to — every suggestion made, with successful innovations communicated throughout the company. Sadly, says Goshi, SA is well behind in both areas — at management level, a

lack of transparency and of proper communication with workers leads to often antagonistic relationships and mistrust, while suggestion boxes are mostly ignored and gather cobwebs. "You need a culture change in both areas"

Goshi says one of the strengths of Japanese management is that "they have no country to escape to. I would personally distrust the commitment of a manager with a second passport in his back pocket" ■

ADAPT OR DIE?

A recent two-day conference on productivity contained valuable lessons for SA

FM 20/9/96

Cape takes lead in making RDP work

Linda Ensor

BD 20/9/96 (247)

CAPE TOWN — The Western Cape was in the lead in terms of implementing the RDP, economic affairs MEC Chris Nissen said yesterday at a function to launch the accreditation of RDP forums.

The province was in the lead on all fronts including planning, consultative processes and implementation, he added.

RDP forums, of which there were 181, had been set up in towns and villages throughout the province to work with the local communities in identifying RDP projects.

Nissen stressed that the forums themselves should not receive project money but should merely act as mobilisers of community interests.

Funding should be directed to the actual projects, or where government funding was concerned, through the local authorities.

Projects

It was envisaged that the forums would be formally accredited by the end of November.

Nissen said the accreditation would facilitate the negotiation of agreements between the RDP forums and the local authorities regarding delivery and their relationship.

About 44 projects had received R9,4m from the provincial discretionary fund of R10m and a further six were in the pipeline.

These projects covered a broad and varied spectrum of sectors from agriculture, social welfare and pre-schooling facilities.

The R53m allocated to the Western Cape under presidential lead projects in 1995/96 had been used to assist local authorities throughout the province with water sanitation, sewerage and other infrastructural projects, Nissen said.

Role play used to improve productivity

Patrick Wadula

(247)

BD 3/18/96

Woodward Clyde has developed an interactive program, known as the role play management model, to help its employees understand their role in managing the company.

In Clark and Andrew Holme's group, an interactive role play management model is used to help employees understand their role in managing the company.

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FACING THE CHALLENGE

FM 11/10/96
Labour and business have joined forces to launch an ambitious four-year initiative to upgrade SA's dismal productivity record and lack of global competitiveness.

The exercise, announced by the National Economic Development & Labour Council (Nedlac), involves intensive labour/management workshops, aimed at bridging the chasm between them and reaching consensus over the need to upgrade productivity.

The first phase, which will start next week and run for an intended two months, consists of 10 two-day workshops in each province, to be attended by about 80 participants each.

The idea is to agree on key concepts and lead to proposals for individual business sectors.

The second, four-month phase will begin in February and involve a series of sector-specific workshops in each region. Key line management and trade union organisers will take part and focus on issues such as skills transfer and implications of industry restructuring.

The third, and longest, phase will look at skills development. It will last two to three years, using full-time trainers in each region to spend time with individual companies.

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The National Productivity Institute has provided R1m to kickstart phase one, while sources say the Department of Trade & Industry may find another R40m to bankroll phases two and three.

Nedlac executive director Jayendra Naidoo says "The agreement to proceed with a productivity-focused, capacity-building programme, aimed at meeting the workplace challenge, is particularly significant, given the historically diver-

gent views of business and labour on the subject."

Herbert Mkhize, Nedlac's labour convenor and assistant general secretary of the SA Commercial, Catering and Allied Workers' Union, agrees that labour and management alike must learn to cope with global competition. "Productivity is the key to operating successfully in this arena."

But he warns that this should not be

seen as an excuse for retrenchments or forcing labour to work more for no extra reward. "Productivity does not mean squeezing the workers. Rather, they should get proper training and be incentivised to optimise production."

Business SA spokesman Daan Botha says the threat of "hostile world markets" needs a combined effort from business and labour — especially in the light of SA's "outdated technologies."

Productivity 'key to SA's growth'

Samantha Sharpe

CAPE TOWN — The public and private sector would have to find innovative ways to improve worker productivity if SA was to achieve its economic growth potential, Khula Investments chairman Van Zyl Slabbert said last night.

He told a Boland Bank economic presentation that SA had made considerable progress in pursuing economic growth in terms of changes on the ideological and political level.

However, government and business would have to find solutions to poor worker productivity as well as a means to increase the educational resources of the country to promote economic growth as vigorously as possible, he said.

Government was struggling to come to grips with managing the complexity of SA's political environment, which meant a trade-off between labour unrest and economic growth.

"The (political) pain is inevitable because a successful democracy promises equality of political outcome and a successful competitive market economy creates economic inequality."

Meanwhile, JMM Investment Services chairman and chief economist Louis Fourné said it was unrealistic to assume it was the sole responsibility of government to raise SA's economic growth potential.

"Although government can create an environment conducive to economic growth through strong leadership the solution lies in the people's desire to raise their standard of living, in increasing their capacity to do so and in understanding that this can be achieved only with hard work."

PRODUCTIVITY

1997 - 98

Firms' inertia blamed for lack of productivity

Mboneni Mulaudzi

(247)

22/11/97

CORPORATE inertia is the main cause of the lack of productivity growth and of the pervasive international competitiveness deficit, according to a report by Strategy and Laurence Kuper.

Kuper, who runs a consulting firm, points out in corporate circles and even in government circles that the choice of either doing nothing or doing something is not a choice between doing nothing or doing something. It is a choice between doing nothing or doing something in a way that is efficient. It is a choice between doing nothing or doing something in a way that is profitable. It is a choice between doing nothing or doing something in a way that is competitive.

He claims that the corporate sector has chosen the latter course.

Kuper says that the corporate sector has been too much concerned with the short-term and the long-term, and has been so blinded by their large share of local markets that they have not been able to develop competitive products and services that are competitive in the international market.

He supports his argument by quoting the recent comparative study conducted by the World Economic Forum, which shows that South Africa is a low performer in respect of international competitiveness, and ranked 14th out of 16 in terms of management performance.

The report also points out that the performance of the corporate sector is a reflection of the performance of the country as a whole, and that the corporate sector is a key player in the economy.

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SA labour costs high, productivity low — latest US data

Simon Barber in Washington examines the US commerce department's country-by-country data of the performance of US multinationals' foreign operations in 1994

BD 23/1/97

(247)

(247)

THE US commerce department's bureau of economic affairs (BEA) has just released preliminary country-by-country data of the performance of US companies' foreign operations in 1994. The accompanying table takes the BEA's numbers for a representative sample of countries and crunches them further in hopes of shedding light on how the performance of US direct investment in SA stacks up against that in the rest of the world.

The entities covered are technically called US majority-owned nonbank foreign affiliates, or MOFAs. The term covers any foreign business with sales or assets exceeding \$3m and over which a US parent has managerial control. While the data is not as up-to-the minute as one might like, it is some of the most comprehensive available. Some points jump out. First, there

is the one about SA's labour costs. An SA worker cost has US employer \$16 000 in 1994, while generating \$6 000 in net income. A Malaysian cost \$9 600 and generated \$12 000.

Labour costs in and of themselves mean little. What counts is productivity. Low labour costs do not guarantee it — see Mexico and India. European labour is expensive, but it still produces the most net income for US firms (\$16 800 an employee), followed by Asian Pacific (\$15 300) and Latin America (\$12 700).

For Africa, the statistics are skewed because US affiliates have relatively few employees in the continent and many of them, especially in Nigeria, are in the petroleum sector which generates high per-worker income.

A second point emerging from the numbers may be a little less obvious. It

has been argued that SA has been missing out on US direct investment because its taxes are too high. Breaking out the BEA's company gross product figures into their constituent parts seems to belie this.

BEA defines a US affiliate's gross product as the sum of employee compensation, taxes and interest paid, plus net income (not counting capital gains or losses, or income from equity investments), and capital depreciation. By subtracting compensation and net income from gross product one can get a blunt approximation of what affiliates paid in taxes, direct and indirect, since that is generally by far the largest component of what is left over.

Thus is not a perfect measure, by any means, but it does appear that in 1994 SA was not putting an abnormal heavy tax bite on US companies, and

could in fact be said to be at the more lenient end of the scale. What is high in SA's case is the share of firms' gross product — more than half — accounted for by labour costs.

BEA designed its definition of gross product to be comparable with national GDP figures. In 1982, the gross product of US-owned nonbank firms in SA was equivalent to 3.1% of the country's GDP. By 1994 that was down to 0.8%.

The figure for Singapore was 8.2%. One important conclusion the BEA draws is that in selecting foreign production sites, US firms are guided more by the proximity of major markets than by access to low-wage labour or natural resources. In 1994, US affiliates overseas posted sales of goods worth \$1 238bn. Exports of US affiliates back to the US, including oil, were equivalent to less than 10% of that

Performance of US majority-owned foreign affiliates in selected countries in 1994									
	Total assets	Sales	Employees	Unit labour cost (actual)	Sales per employee (actual)	Income per employee (actual)	Share of gross product represented by		
	\$m	\$m	(1 000)				Income	Labour costs	Taxes etc
Upper middle income countries as defined by the World Bank									
South Africa	2 654	3 604	29.7	16 027	121 347	5 926	19%	51%	30%
Brazil	32 731	32 711	266.2	18 647	121 965	13 863	22%	30%	48%
Mexico	27 270	39 525	485.9	10 807	81 344	4 892	24%	53%	23%
Malaysia	11 729	11 557	85.4	9 637	135 445	12 084	31%	25%	45%
Chile	8 516	5 516	33	15 333	148 970	15 939	30%	29%	41%
Korea	5 081	5 570	24.8	27 500	224 597	9 919	18%	49%	33%
Other African									
Nigeria	4 096	3 141	7	20 714	448 714	70 714	28%	8%	63%
Egypt	2 280	2 144	8.3	10 723	258 313	24 819	31%	13%	56%
Other Asian									
Japan	169 465	97 163	162.3	76 525	598 663	18 182	14%	59%	27%
Singapore	30 517	45 084	90.2	23 126	499 823	28 902	46%	37%	17%
Indonesia	13 866	8 450	54.5	12 128	155 046	23 248	26%	13%	61%
Taiwan	12 330	13 343	55.9	20 286	238 694	12 576	26%	43%	31%
China	5 183	3 143	45.7	5 252	68 775	4 136	29%	36%	35%
European									
UK	524 750	209 956	763.1	34 957	275 136	14 706	19%	44%	37%
Germany	152 253	159 416	537	52 903	296 864	6 145	7%	56%	37%
Portugal	4 127	5 827	26.8	22 649	217 425	8 172	10%	29%	61%
Turkey	2 281	3 604	16.6	18 253	217 108	(3 554)	7%	35%	73%
Continents									
Europe	1 184 638	795 139	2 528.7	42 946	314 446	16 836	19%	47%	34%
Asia Pacific	379 565	280 470	997.1	28 139	281 286	15 328	23%	42%	35%
Latin America	209 432	134 695	1 093.6	14 315	123 167	12 739	34%	38%	29%
Africa	17 231	14 791	76.5	13 412	193 346	17 948	25%	19%	56%
World	2 009 129	1 432 412	5 572.6	32 483	257 046	14 554	21%	46%	34%

SA's share of US MOFA income worldwide 0.22%

Share of US MOFA assets in SA 0.13%

Source US commerce department and own calculations

SADC conference to focus on productivity

Tim Cohen

CAPE TOWN — The Southern African Development Community (SADC) consultative conference, scheduled to take place in Windhoek at the weekend, would focus on investigating regional agreements to boost productivity, the foreign affairs department said yesterday.

The department said Foreign Minister Alfred Nzo would be the chairman of the SADC council of ministers meeting to be held on February 6 and 7, which will be

attended by more than 30 ministers from countries in the region.

The theme of the conference would be "Productivity—key to sustainable development in SADC".

The objective of the conference would be to "promote understanding of the significance of productivity and to initiate steps towards the establishment of a productivity movement in the region" through encouraging "dialogue with all key stakeholders to investigate mechanisms to address productivity on an ongoing basis".

The department said the conference would be SA's first opportunity for SA to "take up its regional responsibility to provide political guidance and leadership to the region" after being taking up the chairmanship of the organisation last year. Nzo would also be chairman of a ministerial workshop on gender issues, which "create mechanisms in SADC to promote the consideration and implementation of gender issues in the region".

A ministerial meeting between SADC and its international co-oper-

ating partners from the Nordic countries will also be held to discuss regional issues of mutual concern and to agree on a programme of action in the fields of co-operation already identified.

Meanwhile, Nzo said following a meeting with departmental management that in-depth discussion were held on SA's role on the African continent including the Organisation of African Unity, SADC and other regional groupings.

Operational issues were addressed such as SA's role in the

great lakes issue and other Africa crisis points such as the ongoing war in Sudan, peace efforts in Angola and the Nigerian issue.

Attention was given to a draft interdepartmental white paper on peace keeping and the creation of an African crisis response force.

Discussions on multilateral issues focused on the nonaligned movement summit due for SA next year and among the bilateral issues discussed, the preparations for the next meeting of the binational committee between the US and SA

20 5/7/97 (247)

Accountants body want (247) Government intervention

sowetan 6/2/97

By Mzimkulu Malunga

SOUTH African representative of the Association of Chartered Certified Accountants Mashudu Ramano says his organisation is to seek Government intervention to open up the accounting profession.

Speaking at a function officially launching the organisation's new name on Tuesday night, Ramano said they had tried unsuccessfully for the past five years to win statutory recognition.

The Public Accountants and Auditors Board found reasons to delay the recognition of ACCA in South Africa.

"We have now reached a point where we think the issue of competition in the auditing profession requires the attention of authori-

ties."

While the country was opening up for international competition and trade, the auditing profession,

which Ramano said was controlled by both the PAAB and the South

African Institute of Chartered Accountants, refused to allow other accounting bodies to play a role in the development and transformation of the profession.



Throwing a spanner in the works... Mashudu Ramano.

He said in the past 40 years the country was only able to produce 800 black chartered accountants of which less than 130 were African.

"The ACCA intends to change that and is being denied the opportunity to do so by those who in the past 40 years have made very little contribution to the development of

black accountants," said Ramano.

He said the ACCA's presence in South Africa was seen as a threat by certain sections of the accounting profession.

'Productivity counts — not labour costs'

MTG (mm) 7-13/2/97 (247)

Cutting wages is not an effective means to increasing employment, write **Eddie Webster** and **Ian Macun**

CONTRARY to conventional wisdom the South African labour market is reasonably flexible. This is the conclusion reached by the South African Labour Flexibility Survey conducted by the International Labour Organisation (ILO) and the Sociology of Work Unit of Wits University and presented at a conference hosted last week by the Department of Labour.

The survey raises a puzzle: if the labour market is as inflexible as is

popularly believed, why are employers able to recruit on the external labour market with so few restrictions?

Enterprises in certain sectors are free to employ temporary labour (either on contract or part-time), pay at lower rates and provide less benefits. More than 80% of the firms surveyed had employed temporary and/or casual employees over the past two years, suggesting a very high degree of labour market flexibility indeed.

Take another result: very few enterprises apply for exemptions from industrial councils (only 12%) and of these the majority were larger companies — employing more than 151 workers.

These findings have important policy implications. Many African

countries have implemented policies designed to reduce wages and achieve a flexible labour market. But recent research by the ILO shows that despite the reduction in wage and non-wage costs during the 1980s and 1990s, employment has not increased.

The researchers conclude that labour costs and a deregulated labour market are less important than labour productivity. This is crucial to ensuring successful integration into the global economy.

Labour costs in and of themselves mean very little. What counts is productivity. Low labour costs do not guarantee it. Labour in Europe is expensive, but it is highly productive.

The ILO Country Review cites comparatively poor labour productivity standards in South Africa, according to the ILO's Guy Standing, John Sender and John Weeks in *Restructuring the Labour Market: The South African Challenge*. But it says, the problem is often attributable to outdated management and organisational structures, not necessarily high wages.

Among the report's recommendations is reduced working hours and increased shift work. The significance of this recommendation is that enterprises can respond to the productivity challenge in different ways.

The organisation of work is not fixed. Research can redefine our options in the workplace and it can help clarify how best to reshape our labour market institutions.

This leads to a second point. A useful distinction suggests Tony Killick of the University of Sussex and author of *The Flexible Economy*, can be made between responsive (or passive) and innovative (or active) flexibility. Innovative flexibility refers to the creation of new institutions that help to give the economy a competitive edge.

South Africa, we believe, is an example of an innovative response to flexibility. The creation of the National Economic Development and Labour Council is one example, the Council for Conciliation, Mediation and Arbitration is another; the ILO Review's proposal for multi-stakeholder regional development accords — called Redacs — is another.

But the creation of new institutions is a protracted process. Institutional history moves slowly. This does not mean that policies do not matter. What it does mean is that the path whereby the present has been reached influences the nature of the present.

In what way does our past shape the present? We would argue it does so in very obvious ways. The most significant example of the persistence of the past is what Naledi researcher Karl von Holdt calls the "apartheid workplace regime". This is characterised by racial inequality, adversarialism, a low investment in the skills of black workers, and, above all, a non-identification by black workers



Gambling with productivity: Unemployment has not dropped despite a lowering of wages

PHOTO: BILLY PADDOCK

with the goals of the enterprise.

These realities are confirmed by the survey findings. African workers continue to be concentrated at the lower end of the job structure and occupy very small shares of technical and managerial positions. 42% of all establishments surveyed have experienced some form of industrial action during the past 12 months. While many establishments reported that they provide some training, only a minority provide formal training involving classroom learning, apprenticeship or attendance at courses.

In firms characterised by such low levels of incentives, and where most unionised workers are in jobs with a low discretionary content, they are unlikely to adopt a longer-term concern for the performance of the company.

At the core then of the legacy of the past lies a low trust relationship between employer and employee. The building of trust is quite central to the new labour regime. And co-operation itself breeds trust.

Trust improves efficiency. It is what James Coleman, professor of sociology at the University of Chicago, calls a form of social capital. Like other forms of capital, physical capital in the form of machines and human capital in the forms of skills, social capital is productive, making possible the achievement of certain ends that would not be attainable otherwise.

The absence of social capital is self-reinforcing. For example, in the survey we found little information transfer from management to work-

ers. A lack of communication between employers and employees leads to distrust, shirking and disorder, which intensify one another in a vicious circle.

But we cannot wait for social capital to emerge. We can start creating it now by enhancing institutional capacity and rewarding those enterprises that are moving towards this goal. One way of doing this is through what Guy Standing and Avril Joffe called a Human Development Enterprise Index. The index scores firms on the basis of certain key indicators gained from the survey and is aimed at encouraging firms to develop good employment practices.

Another way would be to enhance the capacity of unions at the enterprise level by providing additional resources, particularly union-approved education. Interestingly, the survey found that unionised firms have a greater propensity for introducing incentives and organisational change. Of the firms reporting to be offering monetary and/or non-monetary incentive schemes, 84% had a recognised union. Importantly, more managers expressed their satisfaction with labour efficiency in unionised than in non-unionised firms.

In short, policies aimed at encouraging incentives are more likely to lead to productivity-enhancing behaviour in firms than policies aimed at simply reducing costs. Support for institutions such as trade unions is another prerequisite for greater equity and efficiency.

Eddie Webster is director of the Sociology of Work Unit and Ian Macun is deputy director of the unit, University of the Witwatersrand.

CUSTOMER-PLEASING INNOVATIONS REACH NEW PINNACLE AT MTN

WHEN an individual's time is money — big money — every increase in personal productivity is felt on the bottomline. Which explains why MTN has scored such a resounding marketplace success with personalised airtime packages — especially PINNACLE, the top-of-the-range offering from the cellphone innovator.

Pinnacle is one of four packages designed by MTN to meet different levels of need and usage, with cost efficiently assured via distinct tariff structures for each package. Other offerings in the range are Companion, Pulse and Performer.

Says Margaret Crank, MTN's Group Executive Marketing: "There's been massive response to the launch of our differentiated products. In the first month after launch alone, demand for the top-of-the-range Pinnacle product was four times the expected response rate."

It's hardly surprising Pinnacle — aimed at top executives and successful entrepreneurs — has lots going for it. The package contains: • speed dial to customer service for network-related queries and the Directions road mapping service to ensure you won't get lost • OneCall, a supplier sourcing and negotiating service • CareCall, a personalised handy tool for executives who work late. Users dial the CareCall operator, who stands by "at the client's side" during moments of uncertainty • Computicket, a dedicated link to the national booking service • Faxmail enables you to receive faxes in your Voicemail box that you can download on to any convenient fax machine. A hook-up to your personalised portfolio of Dow Jones financial information • Voyager, a link-up with SAA's frequent flyer programme • standard services. These comprise Emergency Service, Voicemail Directory Enquiries, Calling Line Identity, Call Forwarding, Call Barring and Call Waiting/Holding alert.

Included in the monthly subscription are 500 free airtime minutes making Pinnacle tariffs ideal for those super users making many cellphone calls a day.

Pinnacle and Performer are aimed at business users. The Companion and Pulse products have business applications but are also used by consumers as security aids or to give mobility to individuals with busy work and leisure schedules.

Says Margaret Crank: "Differentiation of services and tariffs can translate into significant savings for business users. For other categories of user, cost efficiency, convenience and lifestyle considerations shape the purchase decision."

PERFORMER is aimed at busy executives and entrepreneurs. Typically, they need to be productive out of the office as well as in. Tariffs are ideal for business usage and users receive 120 free airtime minutes every month.

In the bundle of services are Dow Jones financial information, Faxmail, Voyager, OneCall and standard services (Emergency service, Voicemail, Directory Enquiries, Calling Line Identity, Call Forwarding, Call Barring and Call Waiting/Holding alert).

Margaret Crank points out: "As we say in our advertising — It's You call. You can choose the package that best suits your needs."



Accountants' row may go to Competition Board

Amanda Vermeulen

BD 14/2/97

THE Association of Chartered Certified Accountants may refer its dispute with the Public Accountants and Auditors' Board to the Competition Board over claims that the auditors' board is colluding with the SA Institute of Chartered Accountants (Saica).

Last week the association said it would consider taking legal action against the auditors' board for delaying its statutory recognition in SA. This recognition would allow association members to conduct audits without having to write the board's exam.

Association director Mashudu Ramano said yesterday that the association believed there were grounds for the matter to be referred to the Competition Board. The association also planned to seek ministerial interven-

tion from the finance ministry, which oversees the auditors' board.

He said the chartered accountants' institute had been given a monopoly to provide auditing services in SA by virtue of the fact the fact that the board would not recognise other institutes. No other association was represented on the board, which was dominated by institute members.

Ramano said the board had employed a full-time staff member in its offices, to assist the institute in improving its services and restructuring.

"The board has told us it may grant us recognition by the end of the decade, by which time Saica will have been given sufficient time to restructure and develop its own capacity."

Auditors' board CE Lucas van Vuuren said the board would reserve its comment on the matter.

S Africa 'behind in skills and productivity'

(247) *Sowetan* 27/2/97

By Abdul Milazi

SOUTH AFRICA is far behind the rest of the world in skills, productivity and development, and is rated number 44 out of 45 countries, the World Competitiveness Report has revealed.

According to the Skills SA Foundation, South Africa needs to focus its efforts on improving its ability to compete in world markets.

Skills SA Foundation president Frikk Kraukamp says the private sector should take the initiative in laying down the foundation for a skills culture that will empower the unemployed and new entrants into the job market to acquire and develop a high standard of expertise.

"In the spirit of promoting a skills culture, the foundation is holding the 1997 National Skills Competition in which 11 trades will be competing. The winners will go on to represent South Africa in the International Vocational Training Youth Skills Olympics in Switzerland in July," says Kraukamp.

He says this is the third time South Africa will be competing. Entrants include people in the mechanical, refrigeration, electrical and auto-mechanic trades.

Kraukamp says the competition will be held at the Eskom Conference and Exhibition Centre, the Central Organisation for Trade Testing in Midrand and the Pretoria Technical College.

Factories take a break as holidays disrupt production

DAN SIMON

THIS week's public holidays will disrupt productivity as work-hours are being lost with the closure of many factories and businesses

Pupils at several top private schools have been given the week off because of the disruption by two public holidays in the same week

Certain sectors of the manufacturing industry said they had made arrangements to minimise lost productivity

The National Association of Automobile Manufacturers of South Africa (Naamsa) said companies would have worked in the potential loss of time. A spokesman said the loss of productivity was not expected to have a "negative impact" as managers would have planned their sched-

ules around the holidays.

"Public holidays can also be used to bring about a balance in the inventory and shortages in the marketplace"

Dr Winston Smith, chairman of the Federation of Furniture Manufacturers of South Africa, said the holidays would have a "detrimental effect" on the industry

"There is (also) the motivational aspect when you have to get people to work on one day and you're shutting down the next"

Smith said a "fair number" of furniture factories had closed for the week as staff had arranged to "swop" public holidays or had worked in extra days so they could take the week off

Mr Peter Cragg, executive director of the Cape Clothing Manufacturers' Association, said the holi-

days were "extremely disruptive" in an industry that worked to "short deadlines"

"Prudent businessmen will have planned accordingly. At some factories there is a dispensation whereby staff swop a public holiday or work in an extra day for time off. Many of the 400 factories in the Western Cape will be closed."

Mr Charl Adams, human resources manager of the Cape Chamber of Commerce and Industry, said the problem of holidays and lost productivity was not new

"Economists say every public holiday costs the country R500 million in lost productivity. Some say it is more. Public holidays do cost the country — and this a country which needs to put its people to work"

CT 30/4/97

(247)

Public holidays not (247) the cause of low (247) productivity - Cosatu

ARLT 3/5/97

THABO MABASO
BUSINESS REPORTER

The Congress of South African Trade Unions (Cosatu) says business's reluctance to train its workforce and stop bad employment practices was the cause of low productivity and not the number of public holidays observed each year.

Cosatu's Western Cape secretary general Tony Ehrenreich was reacting to claims from business that the number of public holidays observed were negatively affecting productivity and the economy.

"The discussion about productivity should not be viewed around the amount of factories operating. Productivity is a trend, and an environment should be created that's conducive to improving productivity," Mr Ehrenreich.

He said creating that environment would mean stopping bad employment practices by, for instance, reducing the wage gap between the rich and poor, spending money on training and investing in research and development.

"Germany has more public holidays than we do, yet they are not regarded as unproductive," he said.

"Our view is that management should concentrate on ways of improving the envi-

***'An environment
should be created
that's conducive
to improving
productivity'***

ronment for productivity and not to raise the issue of public holidays as a smoke-screen to hide their incompetence."

South African Chamber of Business (SACOB) economist Penny Hawkins said in an interview that business was concerned about the effect that the number

of public holidays had on productivity.

"For instance, this week was reduced to a two-day working week because of public holidays. We think that this definitely impacts on the economy. Production expectations were substantially down in March because of the holidays," she said.

If the entire South African workforce of 5,26 million took a working day off, a total of 42 million production hours would be lost, she said.

Ms Hawkins called for a rethink on the number of public holidays celebrated.

During the past three months five public holidays have fallen on working days.

Most public holidays are linked to the country's political past and commemorate days that were regarded as unofficial holidays by blacks during the apartheid era.

These include Human Rights Day to remember the shooting of 69 anti-pass protesters at Sharpsville on March 21, 1960, and Youth Day which commemorates the student uprisings of 1976.

IBA reveals salary of acting CEO

Vuyo Mvoko

THE Independent Broadcasting Authority yesterday revealed "in the interests of transparency" that newly appointed acting CEO Bronwyn Keene-Young, 28, would receive a monthly basic salary of R17 721.

Keene-Young was appointed acting CEO on Monday following the suspension of Harris Gxaweni on grounds of "nonperformance" a few days before five of the authority's seven councillors resigned.

Responding to media requests, the authority said Keene-Young's package was R324 146,50 a year and included a R64 280 car allowance payable over five years, a 13th cheque of R17 721, a R6 600 housing allowance, R2 544 medical aid, R746 levy and a R6 237 disability cover.

In other attempts aimed at avoiding disruptions to the authority's normal business, Parliament's communications standing committee chairman Samuel Moezi said public nominations for the five vacant authority council posts would be called for from today.

He said the closing date for applications would end on June 3, after which the committee would short-list candidates and would start interviews from June 10.

By June 19, when Parliament goes to recess, names of preferred candidates would "hopefully" be presented before Parliament and the president.

The resigned councillors — co-chairmen Peter de Klerk and Sebliso Mokone-Matabane, as well as Lyn-dall Shope-Matofe, Felling Sekha and Luthando Mkhumela — are serving the first of their three months' statutory notice.

John Dluudi

LOW productivity and abuse of customs incentives granted to industrialists could undermine the introduction of export processing zones (EPZs) in SA, a leading economist warned yesterday.

Steel and Engineering Federation of SA economist Michael McDonald told a conference in Pretoria that although customs concessions, including duty-free imports of components and intermediate goods, would be essential to the success of EPZs in SA, they could "leave the door open for a high degree of fraud".

He warned that goods could be imported into an EPZ — normally a specific geographic area aimed at promoting export-oriented industrialisation — and then fed into the domestic economy, creating major disruptions for industry.

"Already there is a huge amount of fraud taking place in customs and excise transactions," he said that through the trade department had promised tighter customs controls, no "convincing assurances" had been made by the customs.

SA's labour movement, which had made significant gains, could not be expected to agree to deals that undermined those gains. But concessions aimed at attracting investment and creating new employment might be negotiable, he said.

McDonald said if government considered introducing EPZs, the debate would have to be raised at Nedlac as the issue had "serious implications for all stakeholders".

High inflation drives Zimbabwe rate fears

Michael Hartnack

HARARE — There are fresh jitters about a resurgence in interest rates as inflation has bounced back from a four-year low of 15% in November to 22,4% in the latest official figures.

Fears about interest rates caused a 3% drop in the Zimbabwe Stock Exchange earlier this month, after record growth in the previous year.

The source of the problem is Zimbabwe's deficit, which was pegged at 6,7% of gross domestic product in last July's budget, but has since soared to 11% due to uncontrolled state spending.

It seems likely to rival last year's 14% figure at the end of the financial year.

The redscount rate, more than 40% in 1995 as government monopolised the local capital market to finance its deficit, had fallen early this year to 23,5%, raising hopes of a new era of equity growth and investment.

The semi-official Herald reported yesterday Finance Minister Herbert Murerwa was "now under pressure to adopt the Grand Old Duke of York strategy", putting interest rates up and down in a never-ending see-saw until the budget deficit problem was solved.

International experts have warned repeatedly that the benefits of liberalisation and deregulation in the first 1991-1996 phase of economic reform were largely wiped out by state financial indiscipline, bringing about high inflation, crippling interest rates and disincentive levels of taxation.

Critics identified the overstuffed public service, recruited from political appointees, as the principle area of waste together with payments to inefficient parastatals. Mugabe is resisting pressure for privatisation until the parastatals can be sold to "indigenous" black businessmen. The Zimbabwe dollar has fallen from Z\$10 to Z\$11 against the US dollar since January.

Low productivity 'could hamper export zones'

(247)

could be imported into an EPZ — normally a specific geographic area aimed at promoting export-oriented industrialisation — and then fed into the domestic economy, creating major disruptions for industry.

McDonald, a leading business negotiator at the National Economic Development and Labour Council (Nedlac), also said that productivity levels posed more of a potential problem for EPZs than the wage issue. But this could be rectified, he said.

"Education and training of the workforce is essential to good productivity and has been largely neglected throughout industry over many years."

BP 23/5/97

Low productivity 'a threat to pay levels'

Jacob Dlamini

(247)
60 18 / 6 / 97
CAPE TOWN — SA's low productivity levels would not sustain current wages in the long term, National Productivity Institute general manager Gideon Skhosana told the parliamentary labour committee yesterday.

Skhosana said there was a tendency to blame labour for productivity problems, but warned that reducing the wage bill would lower output even further.

Labour's role in boosting productivity had historically been taken for granted but this would have to change if the country was to achieve job-creating economic growth.

There was a need for a productivity awareness campaign to instil productive behaviour and improve consumer awareness among South Africans, Skhosana said.

SA's work ethic could be improved through the introduction of new values which would bring together labour, capital and machinery.

He said SA needed to have an objective as a country and a vision that would be more long-term than the government's growth, employment and redistribution strategy (Gear).

Skhosana said the institute, which facilitated programmes intended to improve the standard of living through the promotion of productivity, had devised a comprehensive productivity awareness strategy.

The strategy rested on the effective dissemination of information, public awareness campaigns, educating consumers on the importance of quality products and efficient service delivery.

Skhosana said SA consumers had traditionally been very meek.

However, this would change with the development of a heightened sense of productivity, he said.

Public campaigns intended to boost productivity would focus on issues such as waste reduction, timeliness and customer focus.

Skhosana said Telkom could be used in a campaign to encourage people to return telephone calls.

Productivity a process of wealth creation — NPI head

Business Day Reporter

IF LEADERS are clever in improving productivity and honest about sharing its benefits, one has a recipe for success, says National Productivity Institute (NPI) executive director Jan Visser.

He was speaking in Accra, Ghana, on productivity leadership in Africa at the first Pan-African Productivity Assembly last week.

Visser is president of the Pan-African Productivity Association which organised the two-day conference in conjunction with

the Ghana Institute of Management and Public Administration.

The theme was "Work ethics and leadership in Africa".

He said productivity was a difficult concept. Many people felt it was vague, demanding and destructive, whereas in fact it was a process of

wealth creation.

If productivity and wealth were to be increased, much depended on a country's leaders, said Visser.

"It is evident that we in Africa and the leaders in Africa have a long way to go for productivity to be part of the continent's value system. Government leaders, employers and union leaders have not yet accepted that productivity improvement is essential to increase and maintain a high standard of living."

Workers should be given a guarantee that they would not lose their jobs because they had been more productive. The way in which productivity was improved should be based on an increase in throughput rather than on a decrease in input. All stakeholders — customers, owners of the capital and employees — should benefit from an improvement in productivity.

At the same conference, Amanda Hamilton-Atwell, a communication specialist with the institute, said the example set by leaders at all levels was vital in promoting a work ethic. The most senior people should represent the country's core ethics, including the way people went about their daily tasks.

Employees would notice such behaviour in their leaders and identify the underlying work ethic and

how it applied to them.

She said traditionally training and development were seen as ways to transmit skills and knowledge, but there was a growing tendency to maintain an organisation's culture by specific development programmes and as an integral part of any training programme.

She said that organisations ought to develop an incentive scheme that

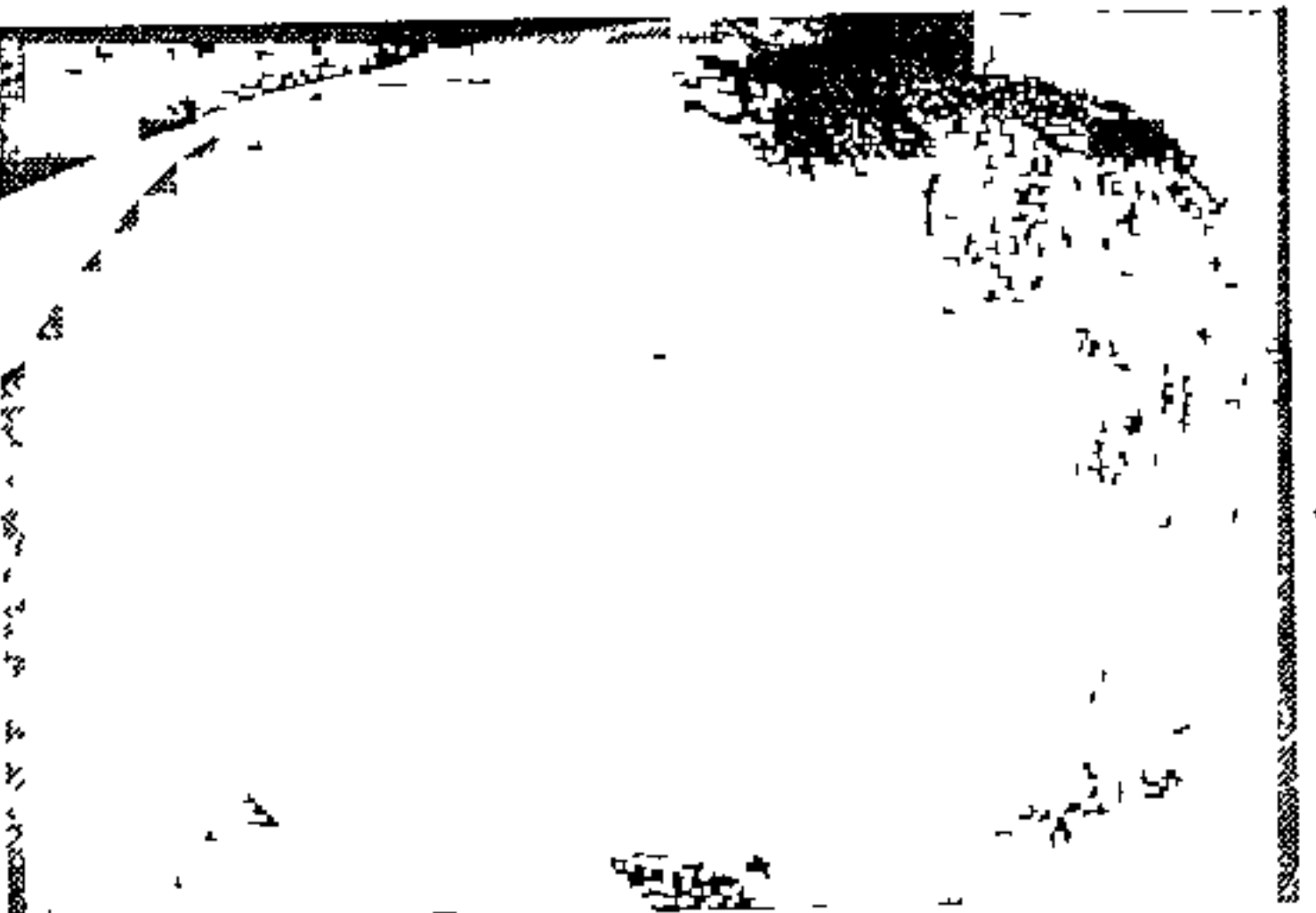
would reward productivity improvements in such a way that the employees perceived the rewards as fair and valued.

The models developed by the NPI could provide the core of such a system.

To develop an appropriate work ethic, a sound communication strategy and action plan was needed. The work ethic ought to be imbedded in the mission and strategy of the organisation and any message should be constructed in such a way that the employees felt positive about it.

There were core principles evident in the workers of winning countries and organisations.

They were basically the same, but were presented in different ways to accommodate the differences between people. While most employees had an inherent need to work well and give of their best, this behaviour ought to be nurtured and rewarded.



VISSER

INDUSTRIAL PSYCHOLOGY *Pacific Institute's Brian and Jenni Wegerle surf the brainwaves of change*

Productivity begins on the inside

CT(MR) 22/9/97 (247)

The search for new ways of improving productivity is shifting from the harder variables of technical skills, processes and systems to the softer variables of attitudes, beliefs, hopes and expectations

Intelligence quotient (IQ) is no longer a success indicator, with the emphasis having shifted to emotional intelligence quotient (EQ), which assesses the level of self-motivation, persistency and a positive approach

These revelations stem from the husband and wife team of Brian and Jenni Wegerle, whose Pacific Institute is a transformation management company that draws on work researched and validated by the universities of Stanford, Toronto and Maryland

Between 1991 and 1995, Brian worked at Nedcor as group general manager of strategic alignment and human resources

In addition to performing corporate duties, Brian was sponsored by Nedcor as chairman of the Alexandra Interim Crisis Committee

When he took the job, between 300 and 400 people had been killed in Alexandra as a result of politically related violence. After five months of facilitating his "vision achievement and organisation alignment process", the death rate in Alexandra attributable to political violence dropped to zero

And it stayed there for the 13 months leading up to the election. The media labelled the phenomenon the "Alex Miracle"

"We're busy surfing the brainwaves of change," says Brian. "In the area of productivity improvement too much effort revolves around re-engineering initiatives to improve business processes and systems

"Even the best systems in the world are unlikely to create spectacular results unless the people are enthusiastic and committed to the company and its systems. Not that this means that re-engineering efforts are not important, just that on their own they are inevitably not sufficient."

He quotes Einstein: "The problem we face today will not be solved at the same level of thinking we were at when we created them"



JOHN SPIRA

Brian observes that when organisations experience problems, they recognise that the level of thinking that created those problems is still the predominant level of thinking. In an effort to resolve these problems they bring in outside consultants with new and different thinking to redesign the business processes and to describe the new practices required to run them

"All good and well. However, as soon as the consultants have achieved what they set out to do they tend to leave, often without changing the people issues

"As staff struggle to optimise performance in the new environment, heads of companies are disappointed and often look for the problem in their people, who they are convinced are resisting change for the sake of it."

However, Brian insists, the reality is that the people left behind to run the new processes are still at the old level of thinking they were when the problems were first created

"The search for new ways of improving productivity is therefore shifting from the harder variables of technical skills, processes and systems to the softer variables of attitudes, beliefs, hopes and expectations. We have to be aware, however, that people naturally resist change and easily fall short of their potential"

Is it possible to make people responsive to change and unlock their untapped potential?

"Yes," says Jenni, a psychology honours graduate who brought the Pacific Institute to South Africa. "Research has highlighted the importance of EQ. People who have a high EQ are self-motivated, positive and persistent. They are resilient and bold enough to take advantage of changing times and believe in their ability to shape the future."

"Research has found that people with a high EQ perform on average 37 percent better than their colleagues who score medium to low on the EQ scale. People without these characteristics are less likely to become star performers, no matter how many mechanistic skills courses one sends them on"



HUMAN POTENTIAL Jenni and Brian Wegerle, the husband and wife team whose Pacific Institute approach to productivity looks at the 'softer' variables of people's attitudes, beliefs, hopes and expectations

Does this mean that employers should only employ people with high EQs?

"Not that simple", Jenni responds, pointing to the good news that most people can improve their EQ because "it is a function of an individual's beliefs, and all beliefs are learned. No one was born with a belief about anything. We were all taught what to believe over time by significant others."

She explains that stored in our subconscious mind are recordings of our experiences, our emotional reactions and what we think and say to ourselves about those experiences. People behave in accordance with the truth as they have come to believe it and are unable to perform beyond their beliefs

She says our creative subconscious mind is tremendously powerful. It works impersonally to bring into reality our subconscious self-image by making us act as the person we see ourselves to be. For example, if we see ourselves as a poor public speaker, our creative subconscious will cause us to stammer or be nervous when we speak in public.

"Therefore the key to developing improved workplace behaviour, like getting staff to accept changes and challenges, or become more creative and accountable, is to change their thinking on the inside. Then their be-

haviour will change on the outside

"The first part of the process is to train people to identify negative thinking and replace it by programming healthy and positive beliefs into themselves. Techniques like monitoring self-talk, creating positive affirmations and visualisation, goal setting and personal reflection allow people to 'grow' inside, making them change-ready and increasing their EQ"

What benefit does this have for an organisation?

"When all the individuals in a work team, department, or company begin to grow personally and understand each other, they become capable of risk taking and setting and achieving higher goals

"Companies that consciously dovetail their staff members' individual goals into the company's departmental and overall goals benefit from their improved creativity and accountability

"If a company is committed to making a giant leap ahead of its competition, it is important that the whole company's staff, and ideally also their spouses, go through the personal and team co-ordination process."

Jenni emphasises that a company is unlikely to achieve expanded goals or significant change without the wholehearted support of staff and their "significant others"

MANAGEMENT

Self-image the key to higher productivity, say experts

CT(BR) 14/10/97 (247)

Experts agree that people skills form a vital component of employee effectiveness and that low morale and negative attitudes are linked to low productivity.

Yet most training programmes in South Africa ignore attitudes and focus on the doing and thinking skills only, such as the transfer of technical knowledge and job tasks. This is despite the fact that the majority of South Africa's workers were victimised by an apartheid system which battered their self-esteem and reinforced negative attitudes about themselves.

"It should be our first priority to restore self-esteem and self-respect," says Alinda Nortje, a former social worker who has had 15 years experience in Adult Basic Education and Training and now heads Free to Grow.

"Many workers on the lower levels of the organisation in South Africa are underachieving, because of a low self-esteem and a lack of self-confidence. This often manifests itself in a reluctance to accept responsibility, low goal orientation and a feeling of helplessness which in turn reduces the ability to benefit optimally from task and skills training," she said.

Nortje said employers have experienced these symptoms in the form of low productivity and low morale. Although companies have tried to address these problems they have tended to focus on the symptoms rather than the underlying causes.

In 1990 when Nortje was involved in the training and development of lower level workers she was aware that many task and skill training programmes weren't very effective because the people skills component was missing.

In an effort to provide a training programme which would equip those victimised by apartheid with the necessary life skills to realise their potential, enrich their lives and make a positive contribution towards the growth of an organisation, Nortje began a four-year period of re-



ALINDA NORTJE the director of *Free to Grow*

search and development. As the modules were developed they were offered to groups of workers where Nortje was established and well-known to the target group. Input from the workers was incorporated into the programme which was completed by the end of 1994 and packaged as Free to Grow for the corporate world.

Free to Grow helps participants to build a strong self-image, communicate more effectively, handle conflict better, be assertive but not aggressive and build good strong human relations.

Women, like Milicent Qoba, whose self-worth had been eroded by a system which denied them civil or tribal rights, diminished their self-esteem and made them feel like victims have until recently been locked into a vicious circle of underachievement.

Qoba stagnated on one job level as a kitchen assistant for 26 years, unable to realise her potential because of a low self-esteem and poor self-image.

It was only as a result of taking part in Free to Grow that Qoba was able to apply, and get the position of Food Services Supervisor at Stellenbosch Hospital.

Anna Frans, a Kromco employee, is one of 200 people who have benefited from the course. Frans experienced Free To Grow in 1995. At the time she was timid and very unsure of herself. She had an inferiority complex and was not aware of her strengths. She says, "I was carrying the 'cannot bag' with me and it was becoming extremely heavy."

Three months after she had completed the programme her son Leonard who was in Std 3, and who had experienced problems at school, came home with an A on his report rather than the D that she had become accustomed to.

When she asked him what was behind the improvement he said, "Mummy, I saw you change in front of my eyes and I thought if you can, I can too."

The biggest change for Anna is that the word "cannot" no longer exists. She is now eager to tackle challenges, in and out of work and shares this motivation with her team.

Free To Grow was purchased for 400 staff members in Parliament's Household services. Hector Tshabalala, acting head of household services, became intimately acquainted with Free To Grow while translating it into Sesotho and IsiXhosa.

Realising that this course could benefit their officials and address many of the staff problems he had to cope with, he became the driving force for the implementation of the programme.

Says Tshabalala "Here is a training course that deals with personality and self-image in a very unassuming manner. It can be followed by a barely literate person as well as a graduate."

"I believe that this course will contribute greatly towards making South Africans relate towards each other as ordinary human beings."

Free to Grow has been implemented by, among others, KWV, Natal Newspapers, Nasionale Pers, Sanlam, Medi-Clinic, Metropolitan Life, R&R Tobacco and De Beers Namaqualand Mine.

Qualities of knowledge workers misunderstood

(247) CT(MR) 3/12/97

FRANK NXUMALO

Johannesburg — One of the most difficult challenges facing technology-driven organisations was increasing the productivity of knowledge workers, FSA Contact, the human resources consultancy, said in a survey released yesterday.

Knowledge workers are skilled employees with significant experience. Lynne Gamsu, FSA Contact's survey leader, said the research discovered that "even the brightest knowledge workers don't always perform to their full potential."

Gamsu said Bell Labs, the US-based company that had carried out the research, had turned to Robert Kelly, an expert in knowledge worker productivity, to help determine why "so few knowledge workers outshone the rest", given that they were hiring only the best and brightest.

She said Bell Labs wanted to assess whether "average" workers could become star performers.

"The study revealed that one of the most important attributes of the star performer is his or her ability to use initiative and go beyond the job description, take some risk and produce

outstanding results.

"Another work strategy is self-management, which enables them to regulate their own work commitments, time, performance levels and career within the workplace," the survey said.

"In addition, they cultivate and have direct and immediate access to people who are sources of knowledge necessary for getting the job done; they share information with people who need it, and they are able to formulate, state and build consensus on common goals and accomplish them," Gamsu said.

She said other traits of star performers included the ability to understand how their own responsibility fitted into the larger context; awareness of other viewpoints such as those of the customers, management, colleagues and competitors; and willingness to assist and support the leader in accomplishing organisational goals, rather than to rely solely on the leader's direction.

"It's often assumed that these qualities or traits are rooted in the star performer's personality and that they therefore can't be transferred to other workers," Gamsu said. "However, Bell Labs found out that it can be done."

PRODUCTIVITY
1998-1999

Training seen as path to productivity

Nicola Jenvey

DURBAN — SA companies have only themselves to blame for their abysmal productivity figures, considering how little time they devote to staff training, says consultant Richard Bosworth, who specialises in training.

Bosworth said that the 10 US companies rated as the best employers spent an average 37 hours a year training each employee, while SA companies did not even register on the scale.

He quoted a Price Waterhouse London survey conducted for the British trade and industry department recently, which showed that Japan averaged 10 hours an employee annually on

training, the US eight hours, Germany three and Britain less than two.

Bosworth said most SA executives were more concerned with servicing their top-range motor vehicles than with training employees.

The survey showed that the top 10 US companies spent nearly 4.5 times the national average on training, and the investment was paying handsome dividends. Computer company Kingston Technology invested 100 hours, or more than two weeks, annually on each employee. Its current turnover per employee was \$2.3m.

Engine gasket company SAS Installation devoted 60 hours a year to each employee's training, and had a

turnover per employee of \$1.74 622. Even though multinational MNCs crosoft invested only the national average of one working day for employee training, turnover per employee was \$582 485.

Bosworth said the statistics showed that those companies investing in their human resource base were achieving employee-turnover figures nearly three times those of the competition.

Educated employees were productive, and executives had to realise their staff wanted to be challenged at work and to achieve personal growth in their jobs. This could be made possible only through training.

Bosworth believed SA companies

dismissed the investment value of training and therefore presented " lame excuses", such as "having insufficient money. There was also an element of "passive resistance" where those higher up the corporate ladder felt their jobs were threatened if underlings had access to the same knowledge.

However, Bosworth said as deflation became an international reality, companies had to stretch employee efficiencies through training.

Training had to be delivered in bite-sized portions to be meaningful. The concept of a three- or five-day training course was prehistoric, as employees were too swamped with information to apply it to the workplace.

Productivity in Africa 'not satisfactory' (247)

By Isaac Moledi

AFRICA has 13 percent of the world's population but produces only 1,7 percent of the world's wealth, Pan-African Productivity Association (Papa) president Dr Jan Visser said in Pretoria on Friday.

Addressing the 21st experts meeting of the Organisation of African Unity's Labour and Social Affairs Commission, Visser said he was concerned that the continent's gross domestic production per capita was equal to the gross domestic consumption per capita.

"It was impossible, he said, for a country to consume more per person unless more had been produced per person."

He said the GDP per capita in Africa was only R3 118,6 in 1995 compared to a world average of R24 546,4. The GDP per capita declined at a rate of 1,1 percent per year between 1985 and 1995.

"Productivity is a holistic concept which embraces all resources. It demands that the right things be done right on time every time," he said.

Visser argued that high productivity was important for job creation and unless firms were competitive, economic growth would be impossible in a global economy.

"The balance of payments of African countries all tend to be negative due to imports exceeding exports."

"The globalised economy is not only a threat – it is also a huge opportunity because it opens markets for African entrepreneurs."

According to the African Competitiveness Report published by the World Economic Forum recently, South Africa came out seventh on the list.

The World Competitiveness Report however, placed it at 44th when it was compared with 46 other (mostly developed) countries.

"African countries should learn from these studies," said Visser, who is also executive director of South Africa's National Productivity Institute (NPI).

Africa's 54 countries have only six productivity centres. Of this number, four of these centres are independent organisations, while the other two are part of government departments in their countries.

Most countries have management institutes and in many these fulfil the role of a productivity centre, said Visser.

Sowetan
20/4/98

Education paper 'explores ways to increase productivity'

Deborah Fine

THE planned green paper on further education and training would explore ways of increasing the learning, productivity and "employability" of thousands of South Africans at the "crossroads" between work and higher education, senior education official Ihron Rensburg said yesterday.

The paper will be released tomorrow by Education Minister Sibusiso Bengu Rensburg, an education deputy director-general, said it followed investigations by the national committee on further education, on the nature of schooling in the senior secondary phase as well as technical and community college-based education.

About 2-million youngsters

(247) (779) (650) BD 14/4/98
were expected to attempt the national senior certificate between 1995 and 1999. Just more than half of them would secure the certificate, and only about 10% would gain full-time access to universities and other higher learning institutions. "This leaves us with 1,8-million people between the ages of 16 and 19 with no hope, in part because their education and qualifica-

tions are out of alignment with economic and social reality."

The paper explored mechanisms by which learning in the period after 10 years of general compulsory education, but before higher learning at tertiary institutions, could be structured to enable youngsters to obtain more easily full-time productive employment or productive self-employment.

SUMMIT TO ADDRESS JOB CREATION

New law 'to boost productivity'

THERE IS NO quick-fix solution to solve South Africa's unemployment problems, Labour Minister Tito Mboweni warned in Parliament yesterday. **ANDRE KOOPMAN** of our Parliamentary Bureau reports.

LEGISLATION to outlaw discrimination in the workplace and ensure a diverse workforce would enhance productivity and efficiency since it would remove unnecessary tensions, Labour Minister Tito Mboweni said yesterday.

Speaking on the Employment Equity Bill in Parliament during his budget vote, Mboweni said it was necessary because, while there had been some progress in removing apartheid barriers, "racial and gender discrimination remains concentrated in the workplace".

Responding to criticism by opposition parties that the bill would re-introduce apartheid, he said he rejected this with contempt because "the unfortunate truth ... is that race is something which shouldn't matter, but which has

mattered and therefore does matter".

The bill would be introduced in Parliament this session and when it was passed, it would ensure that "our workplace ... will begin to reflect the broader society in which we live".

"Blacks and women will be able to aspire, train and occupy positions previously not associated with them ...".

Some provisions of the new Basic Conditions of Employment Act had been implemented, such as the prohibition on child labour and the establishment of the Employment Conditions Commission. Other provisions would be implemented in the last quarter of the year and would take a "modest first step towards our goal of a 40-hour week".

He said the legislation provides protection to some of the most exploited

workers, especially in the construction and security industries, on commercial farms and those in domestic service.

The bill increased the overtime rate, "in an attempt to get more people working, and not simply existing employees working more".

Labour Department training programmes had resulted in over 350 000 unemployed people acquiring productive skills over the past four years.

Mboweni said the national jobs summit scheduled for last year would be held later this year.

Speaking on job creation, he said it was "negative in some sectors and stagnant or modest in others. There are indications of job growth in smaller businesses and the service sector, although much of this is unregistered".

The key manufacturing sector had shed jobs, although fewer than expected, and mining jobs had also declined.

"Insufficient jobs are being created," Mboweni said, adding "there is no

quick-fix solution to unemployment.

"We face a long haul to get the structure of our economy and of our labour market right, so that we can look forward to an era of justice and of labour-absorbing growth."

NP leader Mr Martinus van Schalkwyk said Mboweni's policies were contributing to unemployment, which was "between 25% and 30% and rising dangerously fast".

He accused the ANC of placing the interests of Cosatu, which had between one and two million members, above that of the over 10 million unemployed South Africans to win votes.

Slating the equity bill, Van Schalkwyk said: "To force the private sector to apply new apartheid laws and to judge and juggle their personnel on the basis of skin colour was what the new South Africa was never meant to be. To use racial classification and racial quotas as the basis of law can never have our support."

GROWTH A 'national vision from a national leader' is needed to refocus priorities

NPI chief still beats productivity drum

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ROY COKAYNE

Pretoria — Productivity deserved the highest priority in South Africa because it was the only way to improve living standards in the country, said Jan Visser, the executive director of National Productivity Institute (NPI), yesterday

"Productivity revolves around a simple but fundamental economic principle you will never be able to improve the standard of living in a country if you do not produce more than you consume," he said

Visser started the NPI on July 1 1968 — 30 years ago today — with "a piece of paper, a desk, and an instruction to improve productivity in South Africa"

Visser describes his job for the past 30 years as "the single most interesting job in the country"

"It is the only job I know where you can deal with any facet of South Africa's economy in one day This includes all the disciplines in business from marketing, production and personnel while dealing with something that is fundamentally important to the country," he said

Visser said the challenges facing the NPI were to demonstrate to South African industries how they could become competitive, to address the lack of a productive culture in South Africa, and to play a much more pronounced role in reducing the size of government at national, provincial and local government level

"Government expenditure as a percentage of gross domestic product is far too high, which means less is available for other productive issues," he said

Visser stressed the importance of education to productivity but maintained South Africa's education system "has always been in a mess

"The education system for many years only looked at the needs of the educationists and never asked the crucial question what is needed by the labour market?"

"It did not prepare people to be productive and employable, and the system did not develop the type of people needed to develop this economy

"For whites the education system was terrible, for blacks it was worse. I'm not sure the new education system will address this The success of the Curriculum 2005 project depends on whether we can change the quality of the teachers This is the Achilles heel of the system," he said

Visser added that one of the current major impediments to the improvement of productivity in South Africa was that "people don't know where the country is going

"A national vision is needed from a national leader," he said

Visser said national leaders spoke about job creation but never mentioned productivity

"But how do you create more jobs? You must get eco-



IN A NUTSHELL Jan Visser, the executive director of the National Productivity Institute since its establishment 30 years ago today, conveys the big picture

nomic growth But to get economic growth you must break the constraints placed on economic growth by the balance of payments You cannot achieve this unless the economy is competitive How do you become more competitive? By becoming more productive," he said

Visser lists the successes of the NPI in the past 30 years as

- Getting productivity as a concept on the map and accepted as important,

- Developing the most comprehensive measurement model in the world for productivity,

- Activating the training board movement for various industries, such as the clothing and furniture industries; and

- Being the first productivity organisation in the world to set up productivity units to make

specific industries more productive

However, there were also some low points, such as the four years it has taken to get appointments of the new members of Productivity Advisory Council, the policy-making body of the NPI

Visser said the expiry date of the council was December 1993 but the appointment of new members of council was held over because of the 1994 general election It took four years to get the council back on track, which left the NPI in limbo

Visser must officially retire at 65 and believes that with the NPI soon to be repositioned with a new council, it will be less traumatic for him to leave the organisation A successor had not yet been named

SADC resolution on productivity

MBABANE — The four-day Southern African Development Community (SADC) labour sector meeting of ministers, employers and workers ended in Swaziland at the weekend with a resolution on the improvement of productivity throughout the region.

The meeting also adopted a report calling on member countries which had not yet done so to ratify the International Labour Organisation's convention on the safe use of chemicals. Most had not yet ratified the convention due to its stringent demands enabling only the region's advanced countries to comply. — Sapa

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Vavi talks tough on productivity deal

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FRANK NXUMALO

LABOUR EDITOR

Johannesburg - The biggest challenge facing the National Productivity Institute, South Africa's research institute for labour productivity, was to facilitate a productivity accord between labour and capital, Cosatu, the trade union federation, said yesterday.

However, Zwelinzima Vavi, the general secretary of Cosatu, said it would be "unfair for workers to improve productivity only to find themselves out of their jobs as a result of these improvements."

"Equally, we must at all costs avoid mere one-sided benefits to the employers and shareholders, as this will discredit our endeavours to make this matter a joint campaign."

"This is why we unsuccessfully attempted to sign a productivity accord with the employers and government on productivity in the run-up to last year's Presidential Job Summit."

Vavi said apartheid had robbed South Africa of "a more honest debate



Zwelinzima Vavi

around the important matter of productivity." Black workers, in particular, had viewed productivity as a means of exploitation by their employers for too long.

"In a democracy and in a global economy Cosatu sees productivity as a very important objective. Let me

therefore use this opportunity to make a call to the business community for the revival of our discussion on this matter, with the view to signing a special productivity accord."

"Such an accord should explicitly recognise there is a need to increase both capital and labour productivity."

"The accord should take into account that, according to the Reserve Bank's quarterly reports, labour productivity has risen in South Africa since 1991 by more than 15 percent overall. The same cannot be said about management productivity."

He said central to such an accord should be an agreement on how productivity gains could be shared between workers and shareholders.

"The institute needs a clearly defined programme to serve as the basis for an engagement with all stakeholders. To date, there is nothing on the table, despite the new structures having been put in place."

"If the institute wants the message of productivity to sink in, then it must itself operate productively," Vavi said.