

Casualisation and sub-contracting: employer weapons against unions

More and more workers in South Africa are being employed as casual, subcontracted or part-time workers. This development poses a challenge to the trade union movement. New divisions are opening up in the workforce, and the job security of union members is being threatened by the increase in the numbers of non-permanent workers.

'Subcontracting': challenge to trade union gains

Diluting the ranks of permanent, unionised workers with large numbers of highly mobile subcontracted workers, who are very difficult to unionise, is designed to undermine the overall power and influence of trade unions. The following report on labour contracting firms was written by GILTON KLERCK and the TRADE UNION RESEARCH PROJECT (TURP).

Subcontracting is an indirect form of employment of groups of workers by companies through the use of labour contracting firms. These firms are directly responsible for selecting, hiring, often

even transporting, and paying the groups of workers that they 'deliver' to factories and plants under the terms of their own contracts with the companies.

Companies hire labour

contractors when they need groups of workers for specific kinds of work, or periods of time. Such subcontracted workers tend to be used in defined areas of work, such as in the canteens in large plants. Or they are hired as a group for specific purposes, such as clearing a building site before construction begins.

Thus, subcontracted workers are employed in workplaces which are neither owned nor controlled by their own direct employers. They are therefore subject to two systems of dependency and control. Such workers are dependent on the labour contractor for their access to jobs and for their wages, and

upon the client company for their work. Both their immediate contractors and the bosses of the companies where they work treat them as 'their' employees. These workers have to cope with the demands and disciplines of two sets of bosses

Subcontracted workers are different to contract workers. The latter are directly employed on legally binding terms for a predetermined period of time, often renewable/extendable, by agreement between employer and worker. As such, the terms and conditions of their employment are accessible to the scrutiny and demands of trade unions organising in that work place.

The conditions of employment of subcontracted workers need to come under the same forms of union monitoring as those of contract workers. However, the subcontracted workers and their direct contractors are often attached to plants for too short a period of time for this to be easy to achieve. Also company bosses can disclaim knowledge of, or responsibility for, the wages and employment conditions of such subcontracted workers, and refuse to discuss them with the unions in their plants.

'Operations of labour contractors

The majority of the labour contractors surveyed seem to have started business in the mid-1970's and have shown steady expansion since. The

manager of a firm which contracts out cleaning staff reported that, "Our average growth rate has been 20% a year since 1968. As a specialised industry we must increase."

In this period a growing range of jobs have been opened up for the employment of subcontracted labour. These include cleaning staff and security guards, maintenance and gardening, and meal catering. Labour contractors are now even supplying office staff, drivers, machine operators, and semi-skilled workers and artisans.

Some also offer a wide spectrum of skilled labour (such as computer programmers for employment on a short contractual basis, for example to replace employees on leave, to bolster the size of the work force when site inspections are about to be carried out, or during work over load situations.

Labour contractors tend to operate in their own specialised areas, but even so there is competition between them to offer competitive prices to companies wishing to hire temporary workers. Contractors have to offer attractive deals, while also ensuring that their quotes cover their own operating expenses and yield some profits. They have a powerful incentive to drive down their labourers' wages as far as they can.

Labour contractors therefore aim to recruit amongst

the most needy and vulnerable sectors of the population. As the manager of a firm contracting temporary manual labour said, "I would never work for these wages, but with all this unemployment there are so many applicants that we can pick out the cream of the crop."

In addition to taking advantage of large pools of unemployed, labour contractors recruit amongst particularly vulnerable social groups such as women, people with no skills or experience, migrants from the rural areas, and immigrants from neighbouring countries.

Most contractors are quite clear as to why workers take up such insecure temporary employment with them at very low wages. As the manager of a security guard firm stated:

"They do not choose. They have no choice, simply because the employment situation is so poor." Another labour contractor hiring unskilled day workers declared: "Unskilled contract Africans, I don't think they have a choice really, as piece work comes along, they take it."

Motivations for companies to use subcontracted labour

The main reasons why this form of employment is being used more and more in South Africa are as follows:

1. **Factories can respond** to fluctuations in production without having to meet the costs of employing a large permanent work force. They

can make rapid changes in the size of their work force by calling in teams of subcontracted labour only when needed. For example, one oil refinery was able to supplement its permanent work force of about 700 with up to 1 500 subcontracted workers.

2. Client companies are also spared the costs of time-consuming calculations and administrative problems by passing them onto the contracting firm. Part of management's supervisory and personnel functions can also be placed on the shoulders of the labour contractor. As one labour contractor put it: "They don't have to hire and fire. They don't have to establish if the guy is good or not...They also don't have the headaches with the Industrial Council, and all the other bits and pieces that are involved, which is all very costly."

3. By frequently changing the labour contractors they hire, company managers also create competition between them and in so doing ensure 'competitive' rates for a proportion of the workers they employ. In this way they are reinforcing the lowering of wages caused by competition amongst unemployed workers themselves.

4. Subcontracting also enables management to evade non-wage demands, such as pensions and provident funds, medical aid schemes, and so on, by making them the 'responsibility' of the labour contractors. These, in turn, can use the highly im-

permanent nature of the jobs they offer to evade these costs.

5. The hiring and firing of employees is not as difficult for managers where workers are 'subcontracted'. It is simply a matter of extending or cancelling a service contract. This avoids the types of dissatisfaction - and even industrial action - that can arise with permanent workers. One labour contractor pointed out that "lay-offs are both costly and damaging to employee moral and company prestige."

6. Routine and repetitive jobs, requiring very little skill and offering little or no advancement opportunities are offered to temporary subcontracted workers. In the words of one labour contractor: "A permanent employee in such a position is apt to become quickly bored and dissatisfied. Temporary employees can be used for these jobs....[this] can eliminate dissatisfaction, costly absenteeism, and [staff] turn over when permanent employees are assigned to these tasks..."

7. In terms of health and safety, subcontracted workers carry out the most dangerous work in the plant. So while organised workers negotiate health and safety agreements, and refuse to do dangerous work, this does not mean that the workplace becomes any safer. Subcontracted labour does these tasks.

8. By creating two layers of workers - the permanent, relatively well paid and secure;

and the temporary, low paid and insecure, management can create a divide in the workforce which makes united action less likely. One labour contractor described this tendency in the following terms: "I would suggest that temporary workers are not really considered or seen as part of 'the team' because their salary is not paid by the company." A factory supervisor put it in the following words: "These (subcontracted) workers are not allowed to become part of the furniture."

9. Even where permanent workers and trade union organisers are conscious of the need to organise subcontracted labourers, the highly impermanent nature of their presence in any one work place makes this extremely difficult. This means that sizeable proportions of the work force can be kept ununionised. It is very difficult for the unions to establish relations with and organise such workers. And it is the deliberate policy of labour contractors to keep out unionists: "Everyone is having problems with the trade unions and we are very strict about unions."

10. Above all, it is evident from the words of labour contractors and from the way they operate, that one of the main motivations for company management in using subcontracted workers, is their usefulness in strike breaking. Or as the manager of one labour contracting firm put it : "...big companies

are interested in hiring us to use contract labour, under the blanket of the Industrial Council, so they don't have to put up with the unions. The big ship-building companies, I can tell you now, will never use permanent labour again. They gave me all their files and marked the problem-makers. That's the name of the game. Don't cause trouble if you want a job."

The availability of such workers for such a role relates to their work situations but also to characteristics that derive from their broader social and employment situation.

Difficult to organise

The situation and attitudes of subcontracted workers themselves can make them difficult to organise. There are some key characteristics of workers involved in 'subcontracted' forms of employment that are of significance - and danger - to the trade union movement in South Africa.

- There is great competition amongst unemployed and unskilled workers to be hired by labour contractors and therefore they are more likely to accept extremely low wages. This has wider implications for other workers.
- Their employment is mostly very temporary. Thus they have to be constantly

careful to satisfy the labour contractor, or they will not be taken on for others jobs. Such insecurity and extreme dependency tends to make such workers very passive.

- Also, they usually work in rapidly changing groups, so there is very little opportunity to build up a sense, and practices, of group solidarity in relation to their immediate employers.
- Furthermore, they do not often stay very long at any one work place, so that is it very difficult to build up a sense of identity with the permanent workers where they are temporarily employed.
- This is reinforced by attitudes that are quite common among the more permanent workers. They often see temporary subcontracted workers as a threat to their jobs or to the wages and conditions they have managed to achieve.
- Subcontracted workers are moved around very often to different work sites, so it is very difficult for trade union organisers to reach and organise them, or even to learn about their conditions of employment.
- Workers employed by labour contractors are accustomed to being rapidly moved around as groups from work place to work

place. They can thus - knowingly or unknowingly - be easily used for strike breaking.*

These last two characteristics are very clearly the major motivations for company managers turning more and more to utilising this form of labour.

Danger for unions

There is a close link between subcontracting and the advanced technology and management techniques of 'post-fordism'. While the 'good side' of post-fordism is that it creates a multi-skilled workforce, this does not mean that unskilled labour is a thing of the past. Big companies simply subcontract these tasks.

Also, subcontracted labour allows management the luxury of using Just-in-Time (JIT) methods. Any problems or unforeseen peaks and slacks in work can be accommodated with subcontracted labour "just-in-time"!

Subcontracted labour complements deregulation. Not only does deregulation create the space for subcontractors to flourish without constraints, but subcontracting labour is also a way of deregulating part of the workforce in a company, by removing these workers from regulation or protection by trade unions. Subcontracted labour could create serious divisions in the labour movement.

* As one labour contractor put it : "I have done jobs in companies where workers are striking. When my guys come to me and say that they have problems getting home. I said 'No problem, then just get another job, this is not a problem I am making. You must work if you want the money and live with these problems, which are the fault of the system I live in, not mine'.

Unless unions address this issue, their membership will consist of a diminishing number of highly skilled workers, who enjoy all the benefits of stable employment, while masses of workers only have access to subcontracted and other super-exploitative forms of work.

Already we are seeing a sharp increase in the number of subcontracted workers, and this will increase. One approach unions can adopt is to negotiate the conditions of employment of subcontracted workers on an industry-wide basis in centralised bargaining forums. ☆

during slack periods. At the same time, retailers want to be able to expand rapidly the number of their workers to respond to increases in trading. This, according to management, is the most important reason for the large number of casual and part-time workers employed in retailing.

Increase in casual and temporary labour: the case of shopworkers

IMRAAN VOLODIA reports on an investigation into casual and temporary labour in the retail industry.*

The retail industry in South Africa employs a large number of casual and temporary workers, together referred to as 'flexible labour'. The table below shows the number of flexible workers and full-time workers in the retail trade in South Africa in March 1990¹. According to these figures, over 25% of all workers employed in retailing are flexible workers. While this is a startling figure, casuals and part-timers form even larger proportions of the workforce in some of the major retailers. For example, one of the large supermarket chains employs

a total of 23 444 shop-floor workers. These consist of 338 part-timers, 8 343 casuals and 14 763 full-time workers³. For this retailer, over one third of the workforce consists of flexible labour.

Management motivations for using flexible labour

Trading patterns in the retail industry change all the time. There are peak and slack shopping periods in each day and every week. There are also periods of increased trade during the year, such as towards Christmas. These trading patterns create an incentive for management to trim the permanent and full-time workforce to the bare minimum, so that they do not have to pay many workers

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Flexible labour gives management a capacity for less costly as well as rapid labour force adjustments. A flexible labour force enables managers to hire and fire workers, according to their changing labour needs, without having to meet the costs (such as severance pay and pension pay-outs) that would be involved in reducing the number of permanent workers.

The approval by the authorities of extended shopping hours has increased the need for flexible forms of labour. Management sees flexible labour as a very satisfactory way of coping with evening and weekend shopping. Also, management sees casuals as an answer to permanent workers' opposition to working during extended shopping hours and over weekends.

Most casuals are employed over weekends. Casual workers are also used

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Shopworkers: victims of casualisation

Photo: Jabu/Labour Bulletin

for packing and filling stores at night. Only casual labour is used for these purposes, called "twilight filling" in the industry. As one manager put it, "it is becoming more difficult to get workers to agree to work extended hours and this is forcing us to employ casuals."

Some managers do admit that employing flexible labour can be a useful way of protecting themselves against strikes and stayaways. When permanent workers go on strike, management feels that stores can operate with flexible labour.

One manager admitted that, although it was not company policy, many store managers employ casuals as a means of "keeping unions away". He stated that his company would oppose unionisation of casuals because, when strikes paralyse the company, casuals are the only way of carrying on with

business.

Productivity was also mentioned as an important issue by managers. They felt that flexible workers are more productive than their permanent counterparts. As they are employed for shorter periods and only when their labour is needed, casuals are eager to be productive in order to secure further part-time employment or even gain permanent jobs.

Management not following by legal regulations

The Wage Determination applying to the retail industry states that casual workers must be paid at a premium. This should, in theory, discourage the use of casual labour. Managers see this as an infringement on their right to employ labour of their choice at the going rates. Most managers also feel that flexible workers (in particu-

lar casuals as defined by the Wage Determination) are not a cheap form of labour.

In practice, many retailers do not abide by the regulations laid down by the Wage Determination. A human resources manager at a major retailer admitted that, although it is illegal, many store managers employ casual workers for longer periods and at wages lower than those set in the Wage Determination.

In fact, there are widespread irregularities in the industry. Many 'casuals' who were interviewed work more than the regulated three days per week. Some casuals work a full 45 hour week. Also, many casuals are not paid according to the set wage rates.

Needs of casual and part-time workers

Investigation shows that most workers who are em-

ployed as casuals and part-timers in the retail industry are middle-aged women who desperately need fulltime employment. Casual and part-time work is seen as a means to a fulltime permanent job. Many fulltime workers at the major retailers had first worked at the company concerned as a casual or part-time worker.

At one retail outlet studied, all the casuals were university students. This was by agreement between the management and workers in the store. The workers felt that it was necessary for their children at schools and universities to have access to casual employment. At the same time, it was important that casual workers did not pose a threat to the job security of the permanent workers. For that reason, it was agreed that students could not exceed 30% of the workforce.

While part-time workers receive most of the benefits associated with permanent employment, casual workers receive no fringe benefits at all. They are not paid bonuses, they are not entitled to any leave. Casual workers complained about having extremely insecure jobs and difficult working conditions, irregular hours, no stable family life and so on.

The dangers for the union movement

Clearly, the increase in flexible labour will affect the trade unions' ability to use the strike weapon. In retail-

ing, a strike is an extremely powerful weapon because it is difficult for retailers to sit it out.

Strikes have been a feature of bargaining in the retail industry, and shopworkers have made substantial gains through use of this weapon. However, flexible labour provides management with a quick and dependable source of alternative labour. This could undermine the capacity of permanent workers to take successful strike action.

More importantly however, the growth of flexible labour is dividing the workforce. On the one hand, there are the permanent, better paid workers with relatively stable and secure jobs.

On the other hand, there are casual and part-time workers who earn low wages and do not enjoy the benefits of secure employment.

This division between relatively secure and better paid workers and insecure and poorly paid workers should be a particular concern for the union movement. In the retail industry, casual workers are seen as second class workers by many permanent workers, some of whom are union members and even shop-stewards.

Sometimes, however, a better relationship exists between permanent and casual workers. For example, at one store, casual workers came out on strike in support of a permanent worker who had been dismissed.

Conclusion

While this article focuses on the retail sector, the use of casual, temporary and subcontracted labour is on the increase throughout industry. The growth in flexible labour must be seen in the light of the economic problems facing capital. During a recession employers not only retrench workers, but also try to alter the way in which work is carried out. Thus, in the retail industry, management is attempting to maintain as flexible a labour force as possible.

The increasing use of flexible labour is also the employers' response to the gains made by trade unions in wages and conditions of employment. The dangers that flexibility poses in terms of the job security, strength in dealing with the bosses and unity of the working class should clearly be a major concern for unions. However, developing a response to these initiatives by capital is a difficult issue which needs to be debated within the union movement. ☆

NOTES

(1) It has been impossible to find statistics showing the growth over time in the employment of non-permanent forms of labour in retailing. Central Statistical Service has only recently differentiated between full-time and other forms of employment in the retail statistics.

(2) Central Statistical Service, July 1990

(3) Interview with manager of a large retail chain. The figures are for December 1988, and exclude students employed for Christmas period.