



WORKERS WORLD NEWS

ISSUE 10

MARCH 1998

Workplace restructuring

Workplace restructuring: Threat or solution?

"Restructuring is happening outside the transformation agenda, which, in turn, is causing retrenchments."

Joe Lekola, NEHAWU
Spokesperson

For many workers the term **workplace restructuring** is associated with job losses and retrenchments. This is not surprising given what this restructuring entails — **introduction of new machinery, changes in the shift system, new products and new ways of producing them.**

Workplace restructuring is more than just rearranging things, it is a very new way of doing things. Voluntary retrenchments have once again become very common in many industries, especially those that have agreed on moratoriums on retrenchments. Unlike the mid-1980s, when many older workers were offered voluntary retrenchments, today this is made to appear/taste sweeter by referring to it as "**packages**". But the restructuring this time has wider implications than just coping with an economic recession. Factories and many other places of employment are reducing their size permanently. Workplace restructuring is seen

as a way of being in a position to be '**internationally competitive**'.

'Right-sizing'

The world in the 1990s has become smaller, thanks to technological innovations in telecommunications and transport. What this means is that companies that are miles apart are able to compete for the same jobs. If a car manufacturing company wants to survive the competition, it has to buy from the suppliers who can provide quality components at a cheaper price — this is often referred to as reducing production costs. If the major part of production costs in manufactured consumer goods is made up of raw materials or components, then it makes sense to look for the cheapest source of these materials or components. In other words, there is no point in making a component that can be made elsewhere at a cheaper price. What remains of the manufacturing place is what is known as the '**core business**'. This also applies to other sectors of the economy - the public sector and service sector are also getting rid of non-core functions. The other word that is used for this part of the

process is '**downsizing**' or '**rightsizing**'.

Going 'lean'

Workers, especially the unskilled ones, experience this process through job losses. This is brought about by the logic that everything that is not essential to the business has to go. Many companies have started out-

continued on page 3





Since the visit of Indonesian President Suharto and COSATU's 1997 Congress resolution against his dictatorship, Indonesia has become more familiar to South Africans. In our last issue of Workers' World we provided some background on Indonesia. In this issue we look at the economic crisis that has hit Indonesia in the last few months — the so-called 'Asian flu'.

What happened in Indonesia?

Indonesia has had a near total economic collapse. Some of the results are:

- 2,5 million workers will lose their jobs
- 16 banks have gone out of business — many of them holding workers' life savings

- the value of the Indonesian currency, the rupiah, has fallen by 75%
- the price of basic necessities has gone up by as much as 30-40% in six months.

Such a collapse has brought great hardship to Indonesian workers. The question is:

Why did this happen?

From the early 1980s Indonesia became a major exporter in the world market. They did this through:

- exploitation of cheap labour (often children) at a minimum wage of about R260/month
- recruiting some \$7,5 billion in foreign investment

(mostly from Asian countries) in the export sector.

But from 1990, problems arose: Japanese investors began to pull out — moving to China and Viet Nam where wages were as low as R100 per month.

With the loss of income from exports, Indonesia began to face difficulty in repaying the more than R500 billion in loans they had borrowed from foreign banks during the years of prosperity.

To make matters worse, many Indonesian banks had financed useless investment — lending money to developers of luxury townhouses and office blocks which went unoccupied. Corruption also played a role in the collapse, as a large amount of the money borrowed from overseas was simply 'chowed' by Suharto and his allies.

Foreign investors withdraw

The combination of reduced Japanese capital, bad investments and corruption led to massive withdrawals from the Indonesian economy. Currency speculators began to sell the Indonesian rupiah, driving down the value of the currency. Investors in the stock market also started to unload their shares. This caused panic both within the Indonesian government and the international financial community. They feared that Indonesia would not be able to repay their debts. In

New look Workers' World News

We have a new look and structure for our Workers' World News. We hope our newsletter will become more useful to union educators, organisers and gender leaders.

Our new WWN will include:

- a central theme in each issue — this time it is Workplace Restructuring (the theme for the issue is written in the left hand column of the front page)
- a centrefold mini-poster which can be pulled out and circulated or pinned up
- an International Focus (on pp 2-3)
- and two regular columns:
Gender Eye On... which looks at worker issues from a gender perspective
Comrade Nonkululeko — our ILRIG 'shop steward' who offers her views on many topics
- a competition for those who read our newsletter carefully

We hope you find our new approach useful. We look forward to your comments. ■

Indonesia

the end, the International Monetary Fund (I.M.F.) was called in to 'solve' the crisis.

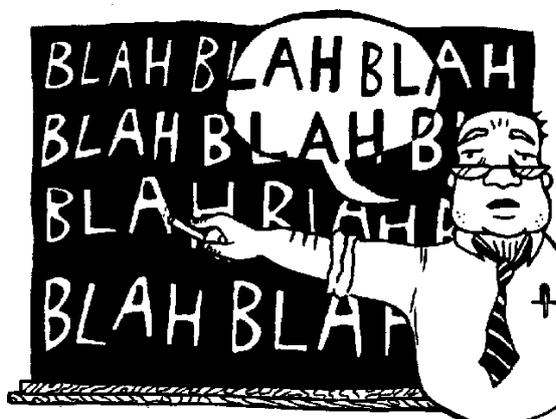
The I.M.F. granted a loan of \$43 billion to Indonesia. The purpose of the loan was to make sure Indonesia paid back the foreign banks. But attached to this loan was Indonesia's agreement to implement a **Structural Adjustment Programme (SAP)**. The Indonesian SAP was much like what has been done in many African countries: it included **fiscal discipline and opening up the economy to even greater foreign ownership**. Indonesian workers bore the brunt of the SAP: rising prices and the loss of an estimated 2,5 million jobs. With the price of the main staple food, rice, increasing more than 35% in a few months, one older worker who remembered Indonesia's experience of Dutch colonialism commented: **"it's like we're heading back to the Dutch times when we had to learn to live on just one meal a day."**

But Indonesian workers and pro-democracy forces have not kept quiet. In February there were demonstrations and riots in more than 20 cities. The demonstrators had three demands: lower prices, an end to corruption and an end to Suharto's rule (the dictator's wealth is estimated at R200 billion). Hundreds have been arrested in these actions. Many were charged under a law which says anyone 'engaging in political activities' can be jailed for up to five years.

An international campaign has been organised in solidarity with the Indonesian people and the trade unions.

Questions for South Africa from the Indonesian crisis

1. The Indonesians attracted lots of Japanese investment. But when costs became cheaper elsewhere the Japanese capitalists left. Even if South Africa is successful in attracting foreign investors, for how long will they stay here? Will lower costs elsewhere not lure them away from South Africa?
2. How can South Africa compete against economies



Management tells the new story of restructuring.

where workers have no rights, where children are employed in industry, and where the minimum wage is R260 per month or less? What sort of sacrifices will workers have to make to become 'internationally competitive'? ■

...continued from front page

sourcing to use outsiders for security, cleaning and such functions as canteen services.

This early phase of workplace restructuring went unchallenged mostly. It is only when the idea of core business has revealed its true colours that workers and the unions have become concerned. In reality, management is capable of turning most functions into 'non-core' ones — bumpers in car plants are now non-core in some companies. In some production processes this has been accompanied by changes in the way work is done in the factory. Machines

have been rearranged on the shopfloor to allow one operator to look after more than one machine. This is referred to as '**lean production**', where management strives to improve things all the time (**Kaizen**). What Kaizen also means is that the workers are continuously made to do more, up to the point where they cannot go any further - i.e. pushing the job stress levels to the limit. It is this type of work that uses production targets to push the workers. The attraction of this system is the incentive bonus, which can end up making up most of the wage packet. ■



FLEXIBILITY

WHAT IS FLEXIBILITY?

'Flexibility' includes a variety of changes in the way production is organised, the way work is carried out, and the types of jobs that are created and maintained. Making labour more flexible is key to workplace restructuring.

1.

WHO ARE 'FLEXIBLE' WORKERS?

These include: casuals, part-timers, contract workers, permanent workers forced to do many tasks.

2.

HOW IS FLEXIBILITY PRACTICED IN SOUTH AFRICA?

Flexibility is on the rise in S.A. Transnational corporations, South African business and even many in the Labour Ministry regard this country's labour market as being too 'rigid', ie. it forces too many employers to abide by labour standards negotiated by unions, or set by labour legislation. They argue that high labour costs stop local business from being internationally competitive.

3.

HOW DO SOUTH AFRICAN EMPLOYERS PRACTICE "FLEXIBILITY"?

- jobs are moved from the formal sector to the informal sector (e.g. to home-based workers)
- large companies sub-contract 'non-core work' to smaller businesses
- workers are retrenched to 'cut costs'
- seasonal and temporary workers are hired when business is busy
- new machinery is introduced to replace workers
- production processes are reorganised so fewer workers can perform more duties
- new shifts are introduced so factories can have continuous operation.

WORKERS ARE ALREADY TOO FLEXIBLE!

6.

DOES THE GOVERNMENT SUPPORT FLEXIBILITY?

Several government policies and laws support flexibility. GEAR calls for labour flexibility.

The Basic Conditions of Employment Act allows companies to practise flexibility by:

- stating that the Act does not cover a worker who works less than 24 hours in a month
- stating that only workers who have been employed for more than 6 months are entitled to sick leave, and only those who have worked for more than 4 months are allowed paid annual leave and family leave
- not covering self-employed workers or most workers in the informal sector.

5.

WHAT DOES FLEXIBILITY MEAN FOR UNIONS AND WORKERS?

The transfer of jobs from the formal to informal sector undermines the position of labour. Fewer formal sector jobs often means drops in union membership. Workers are affected in various ways: increased job insecurity; health problems; decreased benefits; and shifts in job opportunities — fewer 'standard' (full-time, permanent) jobs available and more non-standard jobs (part-time, casual, seasonal) created.

4.

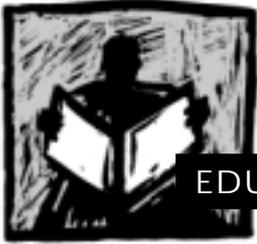
WHY DO COMPANIES WANT A GREATER NUMBER OF FLEXIBLE WORKERS?

Using 'flexible' workers saves companies money. Why?

- full-time workers usually receive higher wages and more benefits
- casual workers can be hired only during busy times without any job security
- no training costs — employers can hire trained workers as casuals
- casual workers can often be paid by the job, so they get no overtime pay.

Lower wage costs help companies to become 'internationally competitive'. Many companies practice flexibility by retrenching permanent workers then hiring them back as casuals.





Questions and answers about workplace restructuring

This column will answer some basic questions about this month's worker theme: **Workplace Restructuring**. If you have more questions on this topic write or phone us at ILRIG.

QUESTION: What is multi-skilling?

ANSWER: This term is often associated with companies' strategies for improving productivity. Linked to other changes in the organisation of production, multi-skilling is seen as a way of developing high product quality and flexibility based on high levels of skills. This can mean either:

- workers take on several simple jobs rather than just one task

- workers take on skilled jobs in maintenance or inspection
- workers with high skills and experience (like in electronics) take on tasks in other difficult work areas.

In most cases, multi-skilling simply means workers' jobs are changed so they carry out several boring jobs which change every few minutes. Workers end up doing more work, and working faster without getting any pay increase. Since about 1989, Toyota has initiated workplace restructuring which includes multi-skilling. Workers at many Toyota factories have commented on multi-skilling. They say: **"it's not true that we increase our skill level, we**

are just forced to increase the amount of work we do!" Another worker said: *"Its not multi-skilling, it really is multi-tasking!"*

While some unions have tried to take advantage of employers push for 'multi-skilled workers' to get more training and pay. Workers are not always compensated for increased skill level — instead, workers often end up doing more tasks and working harder for the same pay.

QUESTION: What is Just-in-time delivery (JIT)?

ANSWER: This is another new type of 'flexible' production. JIT production means items are produced as they are needed. No reserve component or production stocks are kept. Under JIT, suppliers save because they don't have to spend money producing items until they are ordered. The impact on workers is often:

- *retrenchments:* JIT and lean production aims to get rid of all 'excess' and make machinery and workers perform at full capacity when orders are placed. Workers may be considered 'excess' and retrenched
- *increased stress and overtime:* production quotas must be met quickly! This increases pressures on workers. ■

What are 'Mac-Jobs'?

Big companies like McDonald's (a world giant in the fast food industry) try to save money by employing 'flexible cheap' labour (such as part-time, casual and seasonal



workers). Most contracts are short enough that workers do not receive benefits. Shifts are short enough that workers do not get paid breaks. Often workers who try to organise at McDonald's are fired. Other companies are now trying to use similar employment practices — this is why these jobs are sometimes referred to as 'Mac-Jobs'. Rather than saying 'jobs available', signs outside McDonald's should really say "get a job at McDonald's and wave good-bye to your rights!" ■



Comrade nonkululeko

Nonkululeko says: Beware of the package!

These days it seems that many bosses are becoming quite reasonable! You see I hear that in a number of companies around the country management has agreed to a moratorium on retrenchments for a year, and in some cases up to three years. Is this a change of heart?

The problem is that the other shop stewards keep telling me that workers are still losing their jobs. How can this be? Have we been tricked again? After some investigation, I think I have gotten to the

bottom of this. At the bottom we find 'the package'. Do you know about 'the package'?

It seems that management is sticking to the agreements. But at the same time, they are offering workers voluntary retrenchment — 'the package'. You get a few months salary in your pocket and join the ranks of the unemployed. Management doesn't have to negotiate these retrenchments because it is the 'choice' of the individual worker. They 'choose' to take the package.

The only problem with this is that the outcome is the same as any other retrenchment —

less workers on the shopfloor with more work to do!

We shop stewards must learn that an agreement with the bosses is only as good as our ability to enforce it. Otherwise, we are just negotiating jobs away. We shop stewards are worried. The workers who take the package may be at the factory gates tomorrow looking for work as a casual maybe even as a strikebreaker. We may see others who have 'invested' their packages driving us to work in their shiny new taxis — the new black empowerment scheme. The package. Beware of this package. It is no Christmas box. ■



Gender eye ON ...

Trevor's new budget

We have a few questions for Trevor about the new budget:

- Education expenditure has gone up, but for who? Mainly universities. 20% of black women in South Africa have no formal education at all. Why has Adult Basic Education gone down by 27%?
- Early Childhood Development (pre-schools) also gets only about 1% of the education budget. Who

does this burden? Who will have to bring children to the vegetable stalls or union meetings? Universities are important, but what about working class mothers?

- We are pleased to see more money going for skills training. But training for whom? Is it going to be just for 'skilled' male workers and managers? Or will women workers get a piece of the training cake?

- Trevor, have you set aside money for inspectors for the Basic Conditions of Employment Act? If not, who will check up on the conditions of our sisters on the farms, in the 'kithcens' and even some of these sweat shops.

Trevor, you said this budget was 'about people, not numbers'. We are not so sure. We still have questions for Trevor. ■

Thanks to: Women's Budget Project.



Whats new?

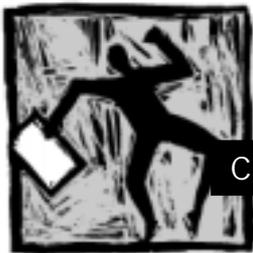
What's new at ILRIG?

ILRIG has been busy for the first quarter of 1998: We have produced a **reading pack on globalisation**. The pack includes a number of key articles on all aspects of globalisation. It is available for R20.

World of Work Project Co-ordinator Msokoli Qotole presented a paper at the National Seminar on 'Current trends in Workplace Democracy' in Johannesburg in February.

Privatisation Project Co-ordinator Sandra van Niekerk attended a 2 week workshop with the Public Service International (PSI) in Europe. **TNC Project Co-ordinator Neil Newman** attended the Third World Network Conference in Accra, Ghana.

We are also working on a number of publications, including an introduction to Globalisation booklet which will be available in mid-April at a cost of R5. ■



COMPeTITION

Workers' World is offering prizes to our readers. To win our competition you will have to read our newsletter thoroughly and answer the four questions in the box.

The first four correct entries received will win an ILRIG International Solidarity T-shirt, a poster, and a copy of our new booklet on Globalisation.

Send your entries to:

**Competition
ILRIG
P O Box 1213
Woodstock 7915**

You can also FAX your entry to: (021) 448 2282

1. How many banks went out of business in Indonesia in the recent crash?
.....
2. By what per cent did the money for Adult Basic Education decrease in the new budget?
.....
3. Under the Basic Conditions of Employment Act, how many many months does a worker have to work to be eligible for sick leave?
.....
4. What does JIT stand for?
.....

All entries must be received by 20 May, 1998. ■

Contact us:

International
Labour Resource and
Information Group
(ILRIG)

P. O. Box 1213
Woodstock 7915
South Africa

Tel: 021 - 47 6375
Fax: 021 - 448 2282

Email:
ilrig@worknet.apc.org

ILRIG OFFERS:

*RESEARCH AND
TRAINING ON:*

**WORKPLACE
RESTRUCTURING**

**WORKPLACE
DEMOCRACY**

Our World of Work Project has two specialists in Workplace Restructuring and Workplace Democracy:

Msokoli Qotole and Marlea Clarke. They have done workshops and research for workers in a number of sectors, including metal, chemical, education and automotive. Let us know if your union or workplace may need our services. We service ordinary workers, shop stewards, and union leadership.