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CHAPTER 1

INTRODUCTION AND OBJECTIVE

Productivity has become the buzzword of our time. Most countries in the Western World acknowledge that they experience, to a greater or lesser extent, a productivity problem. Shaken and confused by the declining rate of productivity growth the world over, everyone, with a few exceptions such as Japan, West Germany and the United Kingdom, is searching for answers. People have, however, been seeking ways to increase productivity since the beginning of recorded history.

When primitive society divided work between the old and the young, this rudimentary division of labour resulted in specialisation and greater returns. When human effort was augmented or replaced by animal power, the result was less human work and more productivity. Technical advances from the wheel to computers either reduced the amount of human energy necessary, increased the amount of production or did both (Macarov, 1982, p 43).

1.1. South African versus international productivity

It is a well-known fact that the actual level of production per worker is much lower in South Africa than in countries such as Japan, France, Germany, the United Kingdom and the United States of America. Du

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Plooy (1988, p 84) of the National Productivity Institute (NPI) reports that "since 1975 labour productivity in the South African manufacturing sector has increased at a lower level than that of its major trading countries". Despite this, remuneration per worker in South Africa increased at a much higher rate than in any of the above-mentioned countries. "Unit labour cost in the South African manufacturing sector was about 28% higher in 1986 than in 1975 ... In Japan the unit labour cost index in 1986 was lower than in 1975" (Du Plooy, 1988, p 85).

South Africa would struggle to become an industrial exporting country as long as wages increase at a greater rate than productivity improvement.

Furthermore, productivity growth is a major source of economic growth in many of South Africa's major trading competitors. As much as 60% of their economic growth is derived from productivity growth with the result that these countries are continuously becoming more competitive if compared to the South African economy where productivity growth plays a minor role in generating economic activity (Visser, 1987, p 619).

1.2. Productivity improvement

The improvement of productivity is of crucial importance for the economic wellbeing of any country. The rate at which productivity improves largely determines the extent to which various other important objectives are achieved, such as improvement of the standard of living, higher economic growth, creation

of employment, internal and external competitiveness and the curbing of inflation. Milton Friedman (1980, p 263) for example, wrote: "Nothing is more important for the long-run economic welfare of a country than improving productivity".

There have been clear signs over the last decade among employers worldwide to take control of the work place, to encourage rank-and-file employees to participate in decisions affecting their daily work, to communicate directly with each other, to encourage teamwork, and to train and support supervisors to fulfil their role (Wickens, 1987, pp 184-185; Klein, 1989, p 60).

This trend is not specific to the international community only, it reflects a trend which is gaining ground in South Africa too. Furthermore, South African employers are starting to realise that the general belief that labour is our main constraint, is not true. Also, they are starting to realise that some industrial relations problems could be dealt with by the law but that a sound employer-employee relationship is an internal organisational responsibility. It is up to management to take the initiative in fostering a new culture in their organisations and to create a management style and environment which will allow for productivity improvement (Horwitz, 1989, p 8).

As a result of this many productivity improvement programmes such as quality circles, worker participation, incentive schemes, and job redesign have now been implemented in South African

organisations - some with greater success than others - yet South Africa still lags way behind Western standards, not to mention Eastern standards (Hipper, 1989; p 55; Newall, 1989, pp 15-19).

1.3. Working practices and flexibility

Flexibility, a relatively unknown factor, has had remarkable impact on productivity in a few British and American manufacturing companies.

Pratten and Atkinson in their studies of British productivity in 1976 found that inflexible and labour restrictive practices were imposing a growing constraint on higher productivity. In another study of productivity levels in broadly comparable plants of multinational companies in the United Kingdom, Germany, France and North America, Pratten tried to assess the significance of labour factors. About a fifth of the inferior British productivity performance relative to North America could be attributed to strikes, major restrictive practices and other manning issues. Similar factors accounted for about a third of the differences between France and the United Kingdom and almost half of the Germany-United Kingdom difference (Batstone, 1984, p 143).

During the 1960's and 1970's over 4 000 productivity bargaining agreements were concluded in Britain. (Batstone, 1984, p 146; Ross, 1981, p 76). It was a means whereby workforces bargained away inflexible working in return for higher earnings. According to McKersie and Hunter (1973, p 1) they tackled the

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problems posed by rigid demarcations between tightly defined jobs, unnecessary manning, outmoded payment systems and excessive overtime. MacInnes (1988, p 14) notes that these agreements were supposed to be a means whereby workforces bargained away restrictive practices or inflexible working in return for larger pay increases and was therefore supposed to emphasise the common rather than conflicting interests of employer and worker. However, as will be seen in Chapter 2, many of those agreements were fraught with problems and became known as "phony" agreements due to the underlying reason for their implementation.

In the changed economic environment of the 1980's, and with the discipline of high unemployment as well as the drop in output levels, it was to be expected that there would be a major drive by management to achieve new working arrangements and that these would achieve considerable success. A survey done by Batstone (1984, p 242) in 1983 confirmed these expectations. Of the 133 British manufacturing companies that were studied all but 14 percent said that 'major' changes in working practices had been introduced in the previous five years. There were two main types of changes:

- (i) "The first is simply the need to reorganise work in the face of redundancies and new capital equipment; and
- (ii) the second is attempts to improve the effective utilisation of labour time more generally, by increasing levels of effort and by greater flexibility" (Batstone, 1984).

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A British Treasury article (1986, p 3) notes that the "recent work flexibility agreements often differ from earlier agreements in a key respect. They involve a general commitment to flexibility in whatever form it may prove to be necessary, rather than a commitment to remove specific rigidities named in the agreements". (The latter is still in vogue in many South African companies, for example, the 128 page agreement of May 1989 between the Chamber of Mines and the Federation of Mining Unions.)

Work flexibility, although perhaps a relatively unknown concept, is to a certain extent nothing other than management recognising its responsibility to manage work efficiently. Flanders (1969, p 373) in as early as 1969 said that "management's primary commitment is to efficiency. Its job is to organise the use of human and material resources to produce the best results with an economy of effort. Working practices which are grossly inefficient are a challenge to management that can only be ignored at the price of professional incompetence".

British companies such as Nissan Manufacturing (UK), British Leyland, Pilkington Glass, Continental Can, Toshiba and many others have taken up this challenge of eliminating restrictive work practices and increasing the flexibility of the workforce and workplace. The impact on productivity, quality, absenteeism, labour turnover, among others, have been remarkable.

For the sake of clarity, the term flexibility in this document encompasses various types of flexibility in the workplace, for example the flexible utilisation of employees, flexibility in duties, flexible working methods, flexibility in skills, and flexibility of time. However, for brevity's sake it will only be referred to as flexibility.

1.4. The purpose of this study

The above growing discussion about major changes in work organisation, working practices, and increased flexibility calls for an investigation into the extent of such changes, how these changes have been achieved and with what consequences. Flexibility on its own without for example worker participation or involvement, teamwork and respect for human dignity cannot be successful. Flexibility also has some limitations, yet they may not be insurmountable and with discussion and analysis a knowledge of them could be developed.

The purpose of this study is to determine the relationship between specific flexibility indicators and labour productivity in the South African motor manufacturing industry.

Semi-structured interviews are held with the total universal of seven motor manufacturing organisations. The relationship between the various flexibility indicators and labour productivity is determined with the aid of qualitative research methods. (See chapter 5, pp 84-106 for full discussion of this method.)