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THE ECONOMIC IMPORTANCE OF RETAINING FLEXIBILITY

South Africa has been grappling with the concept of flexibility for several years with extreme opposite positions on the issue of labour brokers being held by trade unions such as COSATU, and the business community. In reality, there is no longer a "job for life" and companies and individuals are seeking to explore more flexible working relationships.

The world is an uncertain place at the moment with struggling economies and many businesses hanging in...barely. South Africa finds itself affected by these, and other, challenges and businesses need to operate within the context of the following realities:

- Extreme unemployment;
- Dismal education standards;
- Depressed economy;
- Massive labour unrest coupled with increasing wage demands and falling productivity;
- Escalating uncertainty around key issues, including the current labour law review processes, that make foreign businesses reluctant to invest in SA; and
- Strangling red tape requirements for business, including draconian labour legislation

Within this context, South African employers need to carefully manage their operations and often choose to utilise flexible workforces to ensure agility.

Global research suggests that to be competitive in today's global market, a business needs to have at least 30% flex within its workforce. This allows for contraction during tight times and the opportunity to upscale, at short notice, when business opportunities present themselves.

Businesses that utilise the expertise of professional temporary employment services (TES) companies, sometimes known as "labour brokers", have shown an advantage in tough times because they're able to source the right skill at the right time to enable them to take on projects that their competitors, who would potentially have downsized through mass retrenchments, cannot.

The Boston Consulting Group research, "Adapting to Change: How Private Employment Services facilitate adaption to change, better labour markets and decent work", proves this. According to the report, private employment agencies mitigate the impact of economic crisis in labour markets and those companies using agency work can be seen to accelerate faster out of the downturn. An IW Consult study carried out in Germany and covering the 2009-10 period demonstrates how those organisations using TES recorded revenue growth a full 5% higher than those who did not. The study clearly demonstrates that the ability to react to increasing demand quickly results in higher revenue growth and better financial performance. This outcome was confirmed by research undertaken by Eurofound, the European Foundation for the improvement of living and working conditions, which clustered companies into five different groups according to their flexibility profiles.

Evidence suggests that companies using a combination of flexible working hours, overtime, performance related pay schemes and TES were the ones experiencing the strongest financial results, highest labour productivity and greatest choice of staff and employee motivation.

The Boston Consulting Group research, "Adapting to Change: How Private Employment Services facilitate adaption to change, better labour markets and decent work", is available in electronic copy by [clicking here](#).

The South African private employment services sector, represented by the Confederation of Associations in the Private Employment Sector (CAPES) has never opposed the notion of regulation for the sector, however we caution against any moves to curtail businesses' access to flexibility as this will result in massive job losses.

CAPES advocates regulation that is fair, reasonable and globally aligned. But most importantly, this regulation must be accompanied by a robust co-regulatory framework that ensures effective policing and enforcement, so as to avoid inevitable over-regulation of the already compliant and the growth in the "bakkie brigade" rogue operators.

We believe that the proposal of a 3-month period is not conducive to South Africa remaining an attractive destination for labour-intensive foreign direct investment nor an environment that encourages local employers to create additional jobs. The period proposed is significantly less than the globally proven regulatory model, of 12 months before additional obligations come into effect, and doesn't even cover typical temp assignments such as maternity cover. We strongly maintain that the South African regulatory environment needs to acknowledge that flexibility is imperative for business success in today's uncertain times and that the legislation should clearly set out how to access flexible workforces, including via a third party such as TES, in a compliant manner.

Whilst we acknowledge that there may be some operating in South Africa who do not comply, the vast majority of the staffing industry sector are responsible employers who add significant value to their clients (business), empower their employees (assignees) and contribute positively to the South African economy as a whole.

A full report detailing the importance of flexibility and addressing many of the myths that exist about "labour brokers" is being distributed broadly within the business community is attached.

Some Parliamentarians have said there is no evidence before them of job losses. We attach all the documentation, presentations that were made at the Parliamentary public hearings, from various sources including Business Unity of South Africa, Independent Regulatory Assessment Study, the American Chamber of Commerce, CIETT and CAPES which indicate completely differently. It is very disconcerting to see that a body of Parliament is making statements to this effect when clearly it is untrue.

CAPES will happily make available additional information and/or a spokesperson to discuss this issue.

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ABOUT CAPES

The Confederation of Associations in the Private Employment Sector (CAPES) is an umbrella body, formed in 2002, when the need for a unified voice for the South African staffing industry became apparent.

CAPES was created specifically to act as the lobbying organisation for the four primary staffing associations, who represent thousands of SME staffing businesses, and several of South Africa's largest corporate staffing companies.