



Labour market segmentation within the Automotive Industry in South Africa - Reacting to Cost-Competition?

Irene Dingeldey and Andrea Schäfer

Relevant theories and research gap

- **GVC discourse** mostly focused on position of a specific country in GVC; highlighting differences of sector specific governance of GVCs and related inter-firm dependencies/differences of power resources

Hence, ignored

“interrelations between the fragmentation of production processes, the internal tiering of the workforce, and the re-segmentation of the labour market” (Hammer and Riisgaard 2015), 2 u. 22)

- **Segmentation theory** highlighted **employers’ decision** on dualization of firms’ internal labour markets; explained country specific patterns of standard and non-standard forms of employment, by **legal regulation, trade unions’ strategies and power resources** as well as **labour supply structures** (Grimshaw et al. 2017,p.11).

Hence, ignored

firms’ position within (global or regional) production networks as particular influence on segmenting employment practice in local cluster

Concrete research questions

Focus: labour market segmentation taking shape in the automotive industry

1. Does a firms' economic situation and position within the regional production cluster dominate employment segmenting practices?
2. Which role do labour law and trade unions' power play? Do they limit or support segmenting practices?

Operationalisation

- **Coverage and generosity of labour law:** conditions for standard and non-standard forms of work; collective bargaining and co-determination rights
- **Unions power resources:**
 - all levels:** membership rate
 - macro:** influence on labour law
 - meso:** coverage and centralisation of collective bargaining
 - micro:** representation of shop stewards; co-determination of decision on flexible work
- **Firms' situation and position in Production Cluster:**
OEM-supplier relations (grade of dependency from OEM: uniqueness of product; variety of customers)
- **Segmenting practice:**
use of standard and atypical forms of work according to demand expectations, structures established to differentiate pay level and social security; racial and gender discrimination

Case Study: Selection, sources and method

- Case: South Africa (SA)
- Sector: Automotive (OEMs, 1-3 tier)
- Cluster: Tshwane (Province: Gauteng)
- Empirical sources:
 - descriptive statistics (based on WoL, CBR-LRI, ILO, LFS and QLFS)
 - semi-structured expert interviews (February till May 2023); interviewees: 10 trade union officials, 13 employers (OEMs and suppliers), 4 officials from employers' associations
- Method: descriptive data analysis / supporting evidence from qual. material

Protective labour laws with closely regulated non-standard employment AND highly developed collective rights, however limited codetermination rights

Table 1: Indices and Indicators of labour laws and collect. rights for SA in 2022

LabourRightsIndex ¹ (ILO)	79
Index of protection-function ² (WoL)	0.69
Index of privileging-function ² (WoL)	0.23
Index of equalising-function ² (WoL)	0.85
Index of flexibility-function ² (WoL)	0.31
Index of employee representation in labour laws ³	1.00
Index of codetermination ⁴	0.34

Source: Authors' own calculations and descriptions using the WoL; CBR-LRI at <https://doi.org/10.17863/CAM.9130.2>, ILO at <https://ilostat.ilo.org/data/data-catalogue/>

1 statutory labour rights for the workers in formal employment relationships; 2 statutory law or collective agreement; 3 Includes right to unionisation, right to collective bargaining and extension of collective agreements; 4 includes codetermination and information/consultation of workers and codetermination: board membership

Note: LRI: 0 = "Total Lack of Decent Work" to 100 = "Decent Work"; all other indices: '0' stands for no protection/privileging/ equalising/flexibility or the lowest protection offered to workers, and '1' stands for the maximum or highest protection/privileging/ equalising/flexibility offered. Some indicators use binary coding but most use non-binary or graduated scores.

Segmentation I: standard vs non-standard contracts

➔ Justification of non-standard employment

“[...] what the Labour Relations Act says [...]. If you earn below the earnings threshold and you employed on a fixed term contract of longer than three months without what the legislature says is a **justifiable reason**, then your fixed term contract will be regarded as permanent.” (Interview MH)

Segmentation II: „This system is designed to protect the lower level employee and the more senior you get then you don't get protection.“ (Interview MH)

Exclusions from protection based on bargaining council agreement

➔ by position within occupational hierarchy

“And then it's generally the employees that are not covered or more senior managerial employees and employees, professional employees, if they employ engineers and those sort of people, the more higher level employees would not have any protection in terms of the main agreement.” (Interview MH/Lawyer)

➔ by position within earning structure

“The basic conditions of employment Act then gives the Minister of Labour the authority to determine what is called an earnings threshold that is basically an annual remuneration amount. And then if you are earning above the earnings threshold [...], then you don't enjoy protection on many of the aspects, both in, [...], the bargaining council agreement and the Basic conditions of Employment Act.” (Interview MH/Lawyer)

➔ exceptions for certain industries

“But what it does say is I think they refer to what they call a Schedule 6 employees where centralised bargaining can take place at plant level [...] those industries where they basically second hand car sales, second hand truck sales, tractor sales that can take place at a plant level, not at a centralised level. So I would assume [...] that those categories of employees are not covered in the main agreement.” (Interview MH/Lawyer)

Segmentation III: “[...] a form of a cartel where big business and big unions get together and they negotiate very expensive agreements to the detriment of small business.” (Interview RM)

➔ **dualized collective bargaining structure**

“In terms of the collective bargaining arrangement. There is the National Bargaining Forum, and the National Bargaining Forum covers all of the original equipment manufacturers. And NUMSA is the only trade union in that collective bargaining arrangement. (...) That is not a bargaining council in terms of our law, of which the terms and conditions can be extended to all other parties within that sector.”
(Interview MJ/ Scientist)

➔ **strong but limited union power**

„Plus, even the unions, you know, because the laws are so very well articulated, everything is very well articulated about what are their rights, etc.. So, you know, the workmen and the unions, they fully, you know, make use of it.” (Interview AT/ firm tier 1)

„ If the unions ultimately had their way, they would like to see some form of a let's call it a mega bargaining council structure where the entire automotive sector sits, and negotiates.” (Interview RM/ employer association)

Segmentation IV: „they need to be able to be flexible with the labour“ (Interview CR)

➔ **Contract work as a reaction to contract duration per model**

“No. Permanent employees is 95% okay. 95%. And the other 5%, which will obviously escalate, is contract workers. And then that will be linked to the duration of the model, Ford model. „ (Interview CR/ firm tier1)

➔ **Contract work as a reaction to administrative bureaucracy**

„So we use a fair amount of contract labour. [...] So we just had to bring a whole lot of contract labour in [...] And I mean we always did before COVID tried to go 70, 30. [...] 30% contract labour for flexibility. [...] So they do the timekeeping, they do the payroll, they do the payments, and I don't have to have permanent staff here managing that. So for me, again, that's a bit of an advantage. “ (Interview AT/ firm tier 2)

Segmentation IV: „they need to be able to be flexible with the labour“ (Interview CR)

➔ Fixed term contracts as a reaction to contract volume

„So in manufacturing we don't have contractors, that are third party employees, however we but we do have employees that are employed on a fixed term contract. So meaning the contract has a start and an end. We do have that. I mean, it gives us flexibility when you've got volume fluctuations, then you are able to have some flexibility with your staffing levels. [...] So it's actually 80% BMW employees and only about 20% if that, that are fixed term employees contractors with a start and an end date. The rest are permanent.“ (Interview JM/ OEM)

„The labour laws establish the terms of a contract workers over a specific term. If you can't link it to a specific objective, other work objective, or for the automotive industry, maybe for a model. Then the labour law forces you to employ people on a permanent basis. So what we've done is we've moved away from permanent employment and we now manage the additional volumes that is required. We will manage on a contract basis and we link that to the lifespan of the contract. But the contract also has as a notification period of a week. So if volumes drop substantially and it saves any jobs and stays.“ (Interview CR/ firm tier1)

Preliminary Results

- ✓ even **universal labour law and generally high unions' power resources can not counterbalance the power structure** that dominates segmenting practices along value chain
- ✓ employers' decisions on how to cut labour costs are the cornerstone of competition and lead to a **deterioration of labour standards along the value chain**
- ✓ **Labour market segmentation practice as use of legal options of different employment contracts:** standard and non-standard forms of employment (and outsourcing)
pay and social security differentials according to kind of firm (OEM-supplier) and status (blue/white collar);



racial and gender segregation do exist, but relate to general social practices that predetermine blue collar work as work of black people; underrepresentation of black/coloured/females in higher management position inspite of government support programs

These findings would not be possible without the people who have given their time and experience! Thank you!

