

ENVIRONMENTAL INFLUENCES ON INDUSTRIAL RELATIONS

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OPSOMMING

Die doel van hierdie studie was om die omvang van die invloed van die eksterne omgewing op arbeidsverhoudinge te ondersoek. Daar is bevind dat die ekonomiese, politieke en maatskaplike omgewings onlosmaaklik gekoppel is en grootliks 'n negatiewe invloed op arbeidsverhoudinge kan uitoefen. Daar is tot die gevolgtrekking gekom dat ondernemings hulself van die invloed van die eksterne omgewing moet vergewis by die formulering van hul arbeidsverhoudinge strategieë.

ABSTRACT

The objective of this study was to investigate the extent of the influence of the external environment on industrial relations. It was found that economical, political and social environments are inextricably linked and that they may influence industrial relations negatively. It was concluded that companies should take cognisance of the impact of the external environment when formulating their industrial relations strategies.

Dunlop (1977) purports that an industrial relations system consists of certain actors (employers, employees and the state) who attempt, within a certain environment (economical, technological and political), to determine the rules of the work place and to function within this context. Dunlop (1977) therefore sees the industrial relations system as a sub-system of the broader society which exercises certain constraints on industrial relations. Poole (1985) holds a similar opinion: "The changing morphology... of industrial relations is influenced... by... the wider economic, political and social environment" (p.40). Horwitz (1991) mentions the following in this regard: "... socio political factors were most frequently mentioned as having an impact on internal IR effectiveness..." (p.13).

It is clear from the above that the environment in which companies operate can have a profound effect on industrial relations. Against this background it is imperative that management takes cognisance of the environmental influences and their effect on industrial relations (Nel, 1990). This view is confirmed by, amongst others, Horwitz (1991), and Hofer and Schendel (1978).

Since industrial relations are influenced by the economic, social and political environments, a theoretical analysis of these influences will be presented which will be followed by some empirical findings and conclusions.

Economical influences

One of the most important external influences on companies and therefore also on industrial relations is probably the economic system. The reason for this is that companies are in essence part of that system (Vegter, 1980). Kochan (in Bendix 1989) mentions the following in this regard: "The economic constraints, pressures and incentives influence all of the other components of the collective bargaining system" (p. 100).

South Africa maintained a very low economic growth rate during the eighties (The Institute of Personnel Management, 1992). This undoubtedly had a negative influence on the ability of companies to retain their personnel. The weak economy was, according to the Levy and Associates' (1990), responsible for 52,4% of all retrenchments during 1989-1990. Although there are indications that the economy is recovering and that it might grow by 2% this year ("Economic Notes",

1993, p.81) it is argued that a growth rate of 5,4% is needed to provide employment for all (Spies, 1988). It is therefore evident that one of the major negative effects of a low economic growth is a high unemployment rate. Unemployment has industrial relations implications as will be discussed in the next section.

Technological change and development are important for positive economic growth. Despite this fact it is bound to become an industrial relations issue. Fells (1986) mentions the following in this regard: "... the issue of technological change... cannot be prevented from becoming the subject of negotiations within the enterprise's industrial relations procedures" (p.16).

High inflation leads to union growth and militancy according to Swanepoel (1989). The reason being that inflation threatens the living standards of people. During such times trade unions are seen as mechanisms for improving people's financial situation and in so doing maintaining their living standards (Poole 1986). A vicious circle is generated by this situation since any benefits granted to unions may lead to higher inflation which again leads to lowering of living standards and unemployment and retrenchments (Finnemore & van der Merwe, 1992). Against this background unions tend to focus on job security rather than high wage demands (FSA-Contact, 1992). In some industries low wage increases are accepted in exchange for profit-sharing schemes (Finnemore & van der Merwe, 1992). Declining inflation might therefore contribute to more realistic wage demands by unions.

Social influences

Swanepoel (1991) is of the opinion that management should be sensitive to the social environment as it might have both a positive and negative influence on industrial relations.

Blanchflower (1989) is of the opinion that unemployment changes the balance of power to the side of employers. Although Finnemore and van der Merwe (1987) are in accordance with this view they are also of the opinion that unions might focus during such times on aspects like a shorter working week and overtime bans. With an unemployment rate of about 40% ("Economic Notes", 1993, p.83) it is not surprising that unions are focussing on job creation (FSA-Contact, 1993) and job security (FSA-Contact, 1992).

South Africa has a very high urbanization rate (The Institute of Personnel Management, 1992). One of the major consequences of this is not only an increase in unemployment, but

a lack of adequate housing for all (Finnemore & van der Merwe, 1992). It is therefore not surprising that housing has become an important item in the collective bargaining process in South Africa (Finnemore & van der Merwe, 1992). That the involvement of management in housing could have a positive effect on industrial relations, is evident from the following: "By reaching agreement on housing related issues both labour and management stand to gain and their relationship will inevitably strengthen" (Steadman, 1988, p.41).

Crises in education sometimes manifest directly in the field of industrial relations because of a high level of solidarity between student movements and trade unions (Finnemore & van der Merwe, 1992). The number of black people who matriculate every year is increasing. The result is that trade union leadership is becoming more sophisticated with a concurrent effect on the negotiations between union and management (Finnemore & van der Merwe, 1987). The higher matriculation success rate could also lead to a further increase in unemployment as it is unlikely that all of these matriculants will be able to find jobs in the current economic situation in South Africa. There are also indications that the unions are starting to focus on training as a bargaining issue in an attempt to address deficiencies in education (Finnemore & van der Merwe, 1992).

South Africa is a country with different population groups and cultures. Infrequent interaction between people of different cultures leads to negative stereotyping (Hofmeyr, 1983). Swanepoel (1989) is of the opinion that people from different cultural backgrounds and thus different beliefs and values who are working together, are a source of potential industrial conflict. To put it differently, if people are not prepared to accept each other's cultures and values, or at least to try to understand these, negative industrial relations will result. Herbst and Britz (1987) mention the following in this regard: ". . .the cultural environment of the worker cannot be separated from his work environment. If management shows understanding of the cultural background of its workers, better labour relations can be established" (p.37).

The population in South Africa is growing at a rate of approximately 2,7% per annum (FSA-Contact, 1992). This high population growth can influence industrial relations in various ways. It could lead to unemployment, a housing crisis, or put strain on the provision of sufficient educational facilities. These aspects could negatively influence industrial relations as indicated in previous sections.

Many workers live on the fringes of cities (Finnemore & van der Merwe, 1992) and are therefore dependent on public transport. Cuts in the subsidisation of transport may result in increased wage demands (Finnemore & van der Merwe, 1992).

Coetzee (1988) mentions that AIDS could negatively influence industrial relations. Employees may for instance insist on separate facilities for people who have contracted the disease or they may refuse to work with infected colleagues (Coetzee, 1988). Against this background employers should negotiate agreements with unions concerning AIDS, formulate policies on AIDS and focus on the educating employees in this regard (Duncaster & Giles, 1990).

Political influences

Swanepoel (1989) is of the opinion that the threats and opportunities of the political environment should be taken into account in creating a stable industrial relations climate. Du Plessis (1990) mentions in this regard that the socio-political conflicts and uncertainty in society will have an impact on industrial relations practice. De Villiers (1992) is even of the opinion that the industrial relations system of a country reflects the current political ideology. Against this background it is imperative that management tries to understand the impact of politics on industrial relations.

One of the most important ways in which politics can influence industrial relations, is by means of the politicization of un-

ions. There are indications that trade unions will continue their political activities in spite of the fact that their members are getting political rights (Anstey, 1990; Ebersöhn, 1990). For Anstey (1990) the most important reason why trade unions keep a high political profile is the fact that they are well established and they also have economic leverage. It should also be kept in mind that one of the reasons for the existence of trade unions is the fact that it is aiming to express the political aspirations of their membership (Slabbert, Cunningham, Jones, Taylor & van Gass, 1990). It is therefore not surprising that NUMSA considers the establishment of a working class party (Sutton & partners, 1993).

Ferndale (1988) found in a study in the Western Cape that community members as well as workers expect management to be involved in political change. Swanepoel (1991) mentions in this regard that industrial relations managers and departments should play a more significant role in influencing the political climate in South Africa. Du Plessis (1990) is of the opinion that the removal of discrimination and the "democratization" of the workplace should always be a priority for managers.

Against the theoretical background discussed above, a study was undertaken to determine the extent of the influence of the external environment on industrial relations in South Africa.

METHOD

A structured questionnaire was developed by the first author and completed by 348 individuals working in the field of human resource management. The respondents were employed in five different economic sectors namely: iron and steel (22,1%), car manufacturing (23,0%), mining (26,2%), retail (14,9%) and petro-chemical (13,8%).

As it was evident from the literature that the political, social and economic environments might have a profound effect on industrial relations, the respondents were asked to respond to various questions relating to the extent of the impact of these influences on industrial relations "over the next three years".

The rating scale had the following bench marks: -2=extremely negative, -1=negative, 0=no effect at all, 1=positive and +2=extremely positive. The counts on each variable were transformed to weighted means where:

- 1 to -0,61 = extremely negative;
- 0,60 to -0,21 = negative;
- 0,20 to +0,20 = no effect at all;
- +0,21 to +0,60 = positive;
- +0,61 to +1 = extremely positive.

RESULTS AND DISCUSSION

The social influences on industrial relations were seen as the biggest threat (-0,40) to stable industrial relations in South Africa, followed by political (-0,21) and economic influences (-0,19).

Economic influences

It is evident from Figure 1 that inflation (-0,58) and international pressure (-0,29) would have a negative effect on industrial relations whilst economic growth and technological development would have no effect on industrial relations in the near future.

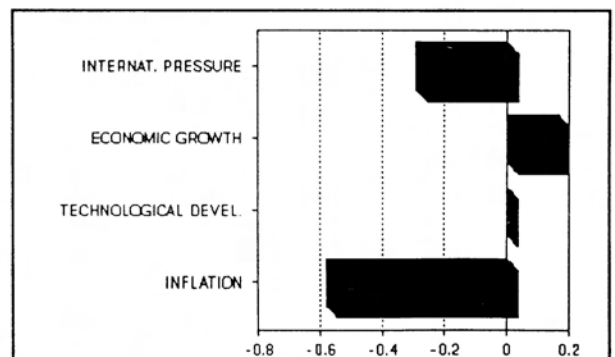
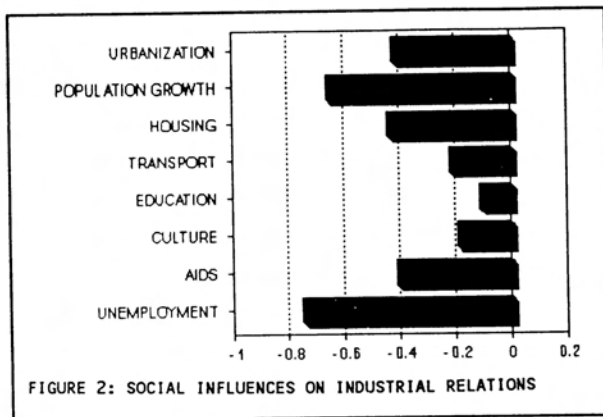


FIGURE 1: ECONOMIC INFLUENCES ON INDUSTRIAL RELATIONS

Most of the respondents (44%) indicated that high inflation would lead to unemployment, while 41,8% indicated that this would lead to high wage demands from unions. Regarding international pressure, almost all (90%) of the respondents were of the opinion that this would result in unemployment. Although international pressure is diminishing, the respondents were not optimistic that the effect thereof on industrial relations would diminish accordingly.

It is encouraging to note that the respondents felt that economic growth (0,16) would not have an influence on industrial relations in the near future. The implication is that the respondents were optimistic that economic growth in South Africa would improve. The respondents were also of the opinion that technological change (-0,10) would not have any influence on industrial relations over the next few years. This finding is in contrast to the views of Fells (1986) in this regard.



Social influences

From Figure 2 it is evident that the respondents felt that, with the exception of education (-0,11) and culture (-0,19), all the social factors would negatively influence industrial relations over the next few years.

Unemployment (-0,75) was seen as the biggest threat to stable industrial relations in South Africa. About one quarter of the respondents (23,1%) felt that the high unemployment rate would lead to demands for job security and demands for companies to become more labour intensive. These findings confirm those of De Villiers (1992) and are in accordance with Innes (1991) who is of the opinion that unemployment weakens trade unions who will in turn take action to improve their situation.

The majority of the respondents (89,9%) were of the opinion that high population growth would lead to unemployment, thus having industrial relations implications.

The finding that housing would influence industrial relations negatively (-0,44) over the next few years is in accordance with Adler (1988) who purports that housing will become an industrial relations issue. Almost two thirds (60%) of the respondents indicated that unions would exert greater pressure on employers to make some form of housing available to their employees.

The negative effect of urbanization (-0,42) on industrial relations is linked to the negative effect of unemployment, according to the majority of the respondents (86,4%).

The negative effect of AIDS (-0,41) on industrial relations according to two thirds (66,6%) of the respondents, is related to the possible unfair dismissals of employees who had contracted the disease. One third (33,3%) of the respondents were of the opinion that internal relations would be negatively influenced due to employees refusing to work with infected colleagues. This finding is in accordance with Coetzee (1988) who states that employees would insist on separate facilities or the dismissal of infected employees.

It is surprising that education (-0,11) and culture (-0,19) were not seen as variables which would influence industrial relations negatively over the next few years. There was therefore optimism that the current crisis in our education system would be resolved and that the different population groups in South Africa would become more tolerant of each other.

Political influences

Regarding the effect of the political situation in the country on industrial relations, almost two thirds (62,8%) of the respondents indicated that this would have negative implications for industrial relations. Almost a quarter (23,2%) of these respondents indicated that the effect would be extremely negative. The majority of these respondents (37,9%) said that the reason for their pessimism was that the changes in the country have created false expectations amongst blacks and a sense of insecurity amongst whites, which would eventually lead to conflict which might manifest in the workplace. These findings are in accordance with those of Swanepoel (1991) who found that 98,1% of his respondents indicated that the political situation in South Africa had a big influence on industrial relations. The political situation in the country could indeed influence industrial relations according to Du Plessis (1990) who is of the opinion that industrial relations are inseparable from the political uncertainty in the external environment.

Almost three quarters (74%) of the respondents indicated that the political role of trade unions in South Africa would have a negative effect on industrial relations over the next three years. Almost a third (30,6%) of these respondents indicated that this effect would be extremely negative. The majority (85%) of the respondents supported their views by reasoning that trade unions would politicize employees with consequent political aims taking priority over work-related aims. This finding is in accordance with that of Swanepoel (1991) who found that 94,2% of the respondents in his study indicated that management should prepare themselves for political demands from unions.

CONCLUSIONS

This study shows that companies need to make direct and visible contributions to the prevailing socio-economic and political environment. This could be done by taking cognisance of the impact of the external environment when formulating their industrial relations strategies. Social, economic and political environments are inextricably linked and may influence industrial relations negatively in the near future.

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