MANAGING HUMAN RESOURCES IN SOUTH AFRICA – A MULTINATIONAL FIRM FOCUS

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Introduction

Two key developments exert an important influence on the nature of human resource management (HRM) in South Africa (SA). The first is the seemingly conflicting imperatives of developing a high growth, globally competitive economy with fuller employment, which is sometimes and arguably wrongly juxtaposed with the socio- political imperative of redressing past structural inequalities in access to skilled, professional and managerial positions as well as ownership. The first development is the related influence of globalisation and multinational corporations (MNCs), information technology and increased competition which have become very prominent in post-apartheid SA. South Africa has a dual labour market with a well developed formal sector employing some 8.5 million workers in standard or typical work and a growing informal labour market. In the case of the formal, knowledge economy, the World Wide Web and increasing communications that the web has made possible, has influenced changes at organisational level. These and changing patterns of employment are having dramatic impact on HR policies within organisations. In a knowledge economy organisation rely on knowledge that is embedded deeply in the individual and collective sub-conscious. It is the property of an individual and cannot be taken away from them (Harrison & Kessels, 2004). They would agree to put it in service of the collective whole known as organisational citizenship behaviours (OCBs). In technology driven advanced firms in SA, there are several themes among the various models of citizenship behaviour: helping behaviour, sportsmanship, organizational loyalty, organizational compliance, initiative, civic virtue, and self development (Podsakoff, MacKenzie, Paine & Bachrach, 2000). Many of these themes overlap with the common competencies demanded by advanced MNC firms. Thus OCBs rest upon a recognition of mutuality of interest and of responsibility between the organisation and the individuals. Increasing globalization and world-wide competition, and knowledge economy has its greatest impact on business strategies, process and practice involving, among others, management of human resources. In this paper we examine factors influencing the management of human resources in SA and their impact on human resource practices in organisations.

We begin with the contextual factors in the first part, including description and analysis of the GDP, ethnically diverse population, employment/unemployment followed by major stockholders (employers, unions and government) in new (since 1994) SA. In the second part, we outline and discuss the theoretical perspectives regarding human resource management and multinational companies in SA. This is followed, in the third part, on emerging trends in the labour market and the discriminatory legacy of apartheid, HIV/AIDS etc. This includes employment relations and legislative developments, (especially post-apartheid) such as the Labour Relations Act, the Skills Development & the Employment Equity Act as well as the

Broad-Based Black Economic Empowerment and their impact on human resource policies, managing diversity and changing managerial styles. The final section contains our conclusions and implications.

Contextual background

South Africa attracts over 60% of foreign direct investment to the African continent. It has a population of almost 47 million (SA Statistics, 2005) and in 2003 a gross domestic product (GDP) of 160.1 (US $ billion, South Africa, 2004). GDP growth for the for 2003 was 1.9 percent and past three years has been around 3%, slightly above the global average (South Africa, 2004). This year's (2005) GDP is expected to rise from 4.5 to 5 percent and for the next three years to 6 percent (Joffe, August. 23, 2005; Shezi, August. 23, 2005). As a matter of fact, according to the Reserve Bank, GDP reached 5% in the second quarter of 2005 and the economy is on course to achieve 6% economic growth by 2010 (Mde and Ensor, Business Day, October. 13, 2005). Inflation has been below 10% for the past 6 years. In 2003, average consumer price inflation, was 7.9 percent (South Africa, 2004) and for July 2005, it was 3.4% (SA Statistics). The South African Reserve Bank (June 2005) suggests that the inflation rate (CPIX) will amount to an annualized rate of 4% in the first quarter of 2005:P19). Mboweni, Governor of the Reserve Bank in South Africa, forecasts that inflation will peak at 5.25 % early next year. The Sunday Times, (Twine, 2005) carried a banner headline "SA's wealth explosion-number of dollar millionaires skyrockets to 37 000 from 25 000 in 2002. Twine (2005) suggests that rise in the value of Rand since 2002 had largely created the 'explosion'. Virtually every week the papers also carry reports of mouth-watering empowerment deals. Similarly, the Financial Mail (2005) indicated that African share of high income exceeding R 30 000 per month had risen from 25 percent in 2001 to 31 percent in 2004, with a growth rate of nearly 13 percent per annum. Similarly, the African share of middle incomes between R 10 000 and R 30 000 per month was presented at 42 per cent, compared with 44 percent for whites. The source of the information, according to this article, was the Labour Force Survey and an Old Mutual Insurance team analysis. At the same time, the media also carried stories of abject poverty and deprivation deepening, largely as a consequence of unemployment and HIV/AIDS and also due to globalization resulting in retrenchments in industries such as clothing and textiles. However, Schlemmer (2005) suggests that "class breakdowns and associated trends are far more complex than the media hype allows for. Africans are making progress but it is slower than most people think...The good news is that deep poverty is not increasing as many people fear. ..The extension of social grants has indeed stopped the socio-economic rot at the lower levels of livelihood."

Formally employed people in 2003 were 8,373, 761 in the labour force (in the formal sector); MNCs employ between 10-15 %. The labour force in the formal sector consisted of almost 60% Africans, 15% Coloured, 5% Indian and 22% White. (SA Statistics and 2003 annual Employment Equity (EE) report). There has been an increase in the nature and characteristics of the informal economy in developing countries. This has been driven by increase in size, in absolute terms, of the informal economy, and by the increasingly important role that informal activity can play in the generation of income-earning opportunities in developing countries. In SA, the participants in the informal economy has increased from 1.9 million in 1992 to 3.5 million in 2002, an increase of roughly 84 percent. The increase in informal activity should be seen against the background of declining labour force absorption rate of the formal economy-from 82.1 percent in 1981 to 38.2 percent in 2002 and the exceptionally high level of unemployment. According to the labour force survey (SA Statistics 2004). it is estimated that unemployment ranges between the strict definition estimate of 27.8 percent and an expanded

definition estimate of 41.2 percent. From 1994 to 2002, the size of the informal economy ranged between 7.2 and 8.4 percent. A unidirectional causality ran from informal economy GDP1 to GDP, implying that causality ran one way from GDP1 to GDP and not the other way. This could indicate that an increase in the size of the informal economy contributed to the increase in GDP in SA from 1994-2002 (Saunders & Loots, 2005).

There is a rapidly growing informal and casual worker sector, this especially following large-scale retrenchments in industries such as mining, clothing and textiles. Cheap Chinese imports in the latter sector's have lead to a serious economic crisis with more than 70 000 jobs lost in the past three years.. Historically, the economy was dependent on the mining industry, including gold, coal and other minerals. Over the past decade the GDP contribution of these sectors declined to under 35% as industrial and export strategies in the auto assembly, manufacturing and agriculture sectors were aggressively pursued. Although SA has made a relatively successful transition from a resource based economy to a manufacturing and export oriented model, it has not created significant formal employment (Fraser 2002), although the post-apartheid open economy saw significant growth in the tourism and hospitality industries. Whilst the economic fundamentals of macro-economic policy appear sound, high unemployment persists. Unemployment ranges between the strict definition estimate of 27.8 percent and an expanded definition estimate of 41.2 percent (SA Statistics .2005).

As noted earlier, SA remains a highly unequal society, with nearly two-thirds of its labour force earning less than US$ 250 per month, due to the country's legacy of discriminatory access to education, the skilled jobs in the labour market and the ownership of stock and assets. According to the UN Development programme's Human Development Report, two-thirds of total income is concentrated in the hands of the richest 20% of the population, leaving the poor with a mere 2% (South Africa, 2004, page 23). Crime and an HIV/AIDS epidemic are pressing social problems for organizational and HRM policy choices. Estimated shrinkage from year 2002 to 2015 of real GDP owing to AIDS, ranges from 2.8 to 9.6 percent (ABSA Bank and ING Barings 2002).

South Africa is an ethnically diverse society. English, Xhosa, Zulu, Sotho and Afrikaans are the most widely spoken languages. Black people (Africans, Coloured people and Indians) comprise over 75% of the population. Since its establishment as a trading post by the Dutch East India Company in 1652, SA had colonial governments from Britain and the Dutch (Afrikaaner) settlers. Racial discrimination and wars for control over territories and land were a feature of SA's history for over two centuries. Apartheid was formally instituted as a political system by the Nationalist party in 1948, and abandoned in 1994 with the country's first democratic election, after decades of a continuing political struggle by the African majority and its representative parties such as the African National Congress. The latter and other opposition groups had been banned from the 1960's until the release from prison of Nelson Mandela and other political prisoners in 1990.

The industrialisation of SA began with the discovery of gold and diamonds at the end of the 19th century. Preference for skilled and managerial work was given to white workers, who were given trade union and collective bargaining rights by the Industrial Conciliation Act (1924). African workers were excluded from these rights until 1980. Access to training and skilled work was denied to Africans. The legacy of institutionalised workplace discrimination has meant that organisations in the 'new South Africa' now have to develop a skilled and productive work force which was under utilized, poorly trained and alienated from

performance improvement and competitiveness goals. This is a vital challenge for human resource management today.

Major stakeholders in HRM and labour relations are represented in the tripartite National Economic Development and Labour Council (Nedlac). Employers may belong to employer organisations represented nationally by bodies such as the SA Chamber of Business. Trade unions belong to union federations such as the Congress of South African Trade Unions (COSATU) with some 3 million members in its affiliates. Nedlac is an important statutory body aiming to foster a social partnership amongst organised business, labour and the State through joint consensus seeking on national labour market policy issues and proposed labour legislation such as skills development, employment equity and labour relations laws. Nedlac also has a chamber where small business can be represented as an interest group. Many human resource practitioners are members of a professional association, the Institute for People Management (IPM), which together with the SA Board for Personnel Practice (SABPP), seeks to enhance the professional standing of the HR profession by providing professional accreditation and standards of ethical and professional conduct. The IPM provides an educational function running seminars, diploma and advanced programmes and disseminating relevant information through newsletters to members. The SABPP is accredited with the national skills and qualification authority and has played a key role in the formation of this body. The IPM has its own HR magazine, People Dynamics aimed at practitioners. It hosts a large annual conference with local and international experts as speakers. Many industrial relations specialists belong to the Industrial Relations Association of SA (IRASA), an affiliate of the International Industrial Relations Association (IIRA) based at the ILO in Geneva.

Theoretical perspectives: human resources and multinational companies in South Africa

The global-local debate concerns how MNCs can or should balance the pressures to develop globally standardized policies with the pressures to be responsive to the peculiarities of the local context (Edwards and Kuruvilla 2005). These authors identify three conceptual weaknesses restricting research in this field: (1) inadequate conceptualization of the national effects, which results in culture being used as an unsatisfactory 'catch-all' for national differences, (2) lack of attention to the influence of internal organizational politics, and (3) the internal division of labor within MNCs lacks focus. The global-local policy question arises first from pressure from uniform or standardized practices globally arises from a legacy of the MNCs embeddedness in the original national base; thus the influence of the home national base of the firm, particularly the cultural influence, creates a 'country of origin'; second, and conversely MNCs also face pressures that lead them to decentralized decision-making on HRM issues to managers in their national context, allowing the firm to respond to national peculiarities - the 'local' pressures. This latter pressure towards decentralizing decision-making on HR issues arises from the need to abide by national-level regulations and institutions in the labor market (Boxall, 2003). This additionally concerns the link between production strategies and industrial relations institutions for example where there is considerable internal diversity within many national economies, particularly marked in large countries. For instance in the USA, a key source of variation is the existence of some "right to work" states in the South, where it may be more difficult for unions to organize; similarly wages and working conditions vary considerably between Chinese Provinces and in India. Various institutional differences in the business environment between northern and southern Italy, for example, are well known. Nevertheless, despite some variations by region, the national level is useful as a conceptual tool; national governments play a lead role in

developing the framework of legal regulation of collective bargaining, employment policy and training provisions with common regulatory requirements across an economy.

The continuing relevance of three factors: institutional, industry sector and cultural context shows the limitations of the convergence /divergence debate. This underlines the importance of studying internal firm level work process dynamics and the notion of cross-vergence in the development and implementation of hybrid practices (Horwitz, Kamoche, and Chew 2002). The notion of convergence is therefore tempered by opposite theoretical constructs of divergence/particularism relating to country and local context, including cultural variables, regulatory environment, labor market attributes, skills supply and level, and industry structure. Globalization creates compelling pressures for homogenization of MNC policy and work practices. This process is arguably mitigated by contextual factors with a concomitant need to focus on contingency approaches and mediating variables affecting firm level execution. Importance of stakeholder interests such as trade unions, power dynamics within and between organizations and the organizational reality of other competing groups need to taken into account. This is particularly important in South Africa. Noting the complexity of research on comparative and international HRM, Budhwar and Sparrow (2002) found both common and country- specific attributes of HRM. In South Africa, the nature of domestic labor market is important , including the degree of voluntarism or regulation of employment practices such as fair/unfair labor practices, recruitment and selection, pay determination, union influence, human resource development policy and dismissal law. This reinforces an understanding of the complexity of environmental context.

South Africa has experienced a dramatic transformation in the post-aparthied era. Socio-legal and political context is particularly important in labor relations, given different regulatory systems, collective bargaining institutions, collective bargaining institutions, relative power of stakeholder interests. While these factors are not static or immutable in time, they may impede or enable change in a particular cultural and industry context. Trade unions in South Africa retain a relatively important influence over the choice and implementation process of HRM practices. Labor legislation in South Africa is protective of worker interests in respect of organizational rights, collective bargaining and the principle of unfair labor practices such as arbitrary dismissal and unfair employment discrimination. Statutory institutions, such as bargaining councils, the labor court, and the Commission for Conciliation, Meditation and Arbitration (CCMA), play a prominent role in the conduct of industrial relations. The regulatory context is an important mediating variable and co-contributing factor in limiting the arbitrary introduction of HRM practices by MNCs and enabling hybrid outcomes. Some of the South African MNCs have introduced productivity measure successfully learnt in the African context, most of which are adapted from lean manufacturing, TQM and other Japanese practices, thus supporting the cross-vergence construct. Thus, while convergence/divergent analytical framework is important, it can be built on by adding the construct of cross-vergence. This appears to be a more robust way of analyzing the actual nature of the change process in cross-cultural adoption of HPWPs, particularly in the type and degree of hybridization which appears to occur in the Southern African context and clearly has far- reaching implications for the broader African context.

Some propositions may be helpful in summarizing the above discussion:

> 1. Firms in a host country with a strong regulatory and institutional framework are more likely to adopt hybrid than other forms of HRM practices

2. The greater the internal cultural diversity of the host country, the more likely that hybrid rather than other forms of HRM will be adopted.

Considerable research has occurred on the issue of cultural factors in the diffusion of HRM practices in MNCs (Debrah and Smith 1999, Jackson 2000, and Kamoche, 1997 & 2000) and Horwitz and Smith (1998) have done such work in SA. A facet of this research is a focus on integration/divergence of work values cross-culturally. The question of cultural influence on work values and HRM practices is important in assessing the extent and type of hybridization, which occurs in adopting human resource practices, developed elsewhere, and how culture and labour market institutions influence such adoption. Cross-cultural variation in the labour market and skills supply for addressing market needs, is an important consideration by MNCs in the decision regarding foreign direct investment (FDI). South Africa and its regional economy have an oversupply of manual, relatively unskilled workers, and as in many emergent economies, a shortage of technology, financial and managerial skills. The Skills Development and Employment Equity Acts have sought to put policy emphasis on human resource development, with levy and grant incentives.

A theme in the literature on MNCs in developing countries is the appropriateness of Western management principles and practices. Many authors have challenged the tendency by MNCs as well as local managers to adopt practices with little consideration of the suitability and relevance of such practices. Some have identified the limitations of concepts formulated in the West (Kamoche, 1993, 1997a; Nzelibe, 1986), while others have offered empirical evidence on the nature of extant practices, pointing to their appropriateness or lack thereof (Kamoche, 2000). The importance of family and community are seen in the network of interrelationships, extended family and mutual obligations. This results in a sense of communalism (Nzelibe, 1986). Some advocate African 'ubuntu' as a basis for fostering an Afrocentric managerial culture with regiocentic HRM practices (Mbigi 2000). The notion of 'ubuntu' literally translated, means 'I am who I am through others'; this in contrast to the Western tenet of 'cogito ergo sum' – 'I think therefore I am'. It is this contrasting of a form of communal humanism with individualism and instrumentalism, which has a normative appeal for advocates of an African economic and cultural renaissance, and is posited as having the potential to build competitive advantage (Jackson 2000, Mangaliso 2001). But a desired future vision may be confused with current empirical reality. The socio-economic context of management in SA reflects high unemployment, poverty and illiteracy. At the same time there is a high need to develop people and provide a globally competitive economy (Kamoche 1997b).

Macro-cultural comparative analyses (Hofstede 1991, Trompenaars 1993) may have adequate face validity, but often neglect deeper consideration of diversity within certain contexts and the power of organizational culture in MNCs. The latter may act as rival causal factors in the propensity to successfully adopt HR practices cross-culturally. This is particularly relevant in SA, with its diverse cultural and ethnic fabric, and where research on cross-cultural diversity in organizational contexts is embryonic. Hofstede's original study in 1980 included SA. With its sample of only one firm viz. IBM in SA, which was at the time predominantly white in its staffing composition, the study failed to discern the multidimensional nature of even his own model. Additionally, the longitudinal changes in the employment and staffing structure of SA organisations have become more diverse and multicultural at all levels especially since 1994. It is likely therefore that constructs such as individualism/collectivism, risk taking and avoidance, may show quite varied patterns today.

Booysen (2001) investigated perceptions of national culture among retail banking managers from three of the largest banks in South Africa. She found significant differences between African and white racial groups on seven of the eight dimensions of national culture examined. The cultural constellation of the white management group reflected a Eurocentric or Western orientation that emphasises individual self-sufficiency, competition and work orientation, and structure and planning. In contrast, the cultural constellation of African managers reflects high levels of collective solidarity, group significance, valuing harmonious interpersonal and group relations, consensual decision making, building trust and reciprocity, nurturing and coaching (Mangaliso 2001) and below average levels of assertiveness (Booysen 2001). These latter attributes reflect cultural values congruent with Afrocentric management systems. As the profile of executives changes, this will impact too on the evolution of MNC organisational cultures in their local (SA) operations. In contrast, Thomas and Bendixen (2000) found little significant difference among the 586 managers they sampled using Hofstede's dimensions of national culture model. Their sample included twenty different race/ethnic and group groups representing the dominant categories of the SA population (e.g. White Afrikaans speaking males and females, Zulu speaking males and females, and Asian males and females). The groups were similar on power distance, individualism, and long term orientation. Thomas and Bendixen (2000) concluded that at the managerial level, there appears to be a common national culture among South Africans. The results of their study indicate a cultural gap between management and lower level employees. Neither study specifically addressed the impact of national culture on human resource management practices. Nor have there been studies within MNC and SA organisations to examine whether or not a strong organisational culture can mitigate the effects of national culture. Combined this limited research suggests that a continuing challenge for the development of high performance human resource management practices in SA is how to embrace the reality of the duality of both Western MNC and African cultural identities among the workforce. One sobering conclusion is that there may not be universally applicable HRM practices for all employee groups.

Human resource practices in a country are not only products of national culture and environment, but organizational culture, diffusion strategy of MNC and local firms and organisation structure which in turn influence design, content and implementation of performance oriented HRM practices such as staffing, compensation, HR planning and training/development. The debate regarding convergence/divergence perspectives in the cross-cultural diffusion of HRM practices is a somewhat simplistic one. Convergent similarity of HRM practices exists largely at the nominal level. Hence, the need to explain hybrid HRM practices, for which the notion of hybridisation or 'crossvergence' seems apt especially in a culturally diverse society, such as SA. Contextual factors including national and corporate culture, may have a determining effect on design and implementation of HR practices (Jackson 2000, and Mbigi 2000). In SA, the nature of the domestic labour market is important, including the degree of voluntarism or regulation of employment practices such as fair/unfair labour practices, recruitment and selection, pay determination, union influence, human resource development policy and dismissal law.

A key strategic imperative is formulating HR strategies at both national and organisational levels to enhance competitiveness and performance improvement. South Africa's re-entry into competitive global markets in the 1990's created new managerial challenges. One of these challenges is management of human resources in an MNC subsidiary in SA. SA is highly dependent on foreign direct investment. It is estimated that there are 1,600 foreign companies in SA (Business Monitor International 2003). An MBA thesis the Graduate School of Business, University of Cape Town investigated HRM practices in multinational companies in South

Africa. This research surveyed HR practices in 29 MNCs from Europe, the UK, USA and Japan and South Africa. Of the 9 US MNCs, two were joint ventures, three were acquired and the rest were started by the parent company. Four of the companies did both sales/service and manufacturing, while another two were purely sales /service and two were manufacturing. Five of all companies were doing business mainly on the local market, while three both locally and internationally. Only one stated doing business mainly on the international market. The companies have been doing business in SA for a period of 8-80 years (average 35 years). Company size ranged from 35 to 1600 employees. Two of the companies had approximately 8% expatriates amongst the employees, in both cases either the HR director or an HR manager was an expatriate as well. All companies that were involved in manufacturing had labour unions. The average unionization of the workforce in the US companies was around 3.59 percent. US and European companies both spend about 50 hours of training on 47% and 41% respectively on their management staff. Worker compensation systems seem to have similarities in US and Europe. Managers in US, European and SA companies agree on performance related salary. As well, in the US/UK/Japanese companies, an employee's seniority is an important factor in determining pay for most jobs. US, European and SA companies share their financial and/or performance data with its employees. The authors note, with caution, that the results are based on small sample size, but could also indicate that increasing globalization has resulted in converging HR practices across countries (Grzeschke and Moehring, 2004).

In both MNCs and local firms human resource practitioners in SA see the most important workplace challenges as performance improvement, employment equity, training and development and managing trade union expectations (Templer & Hofmeyr, 1997). It is estimated that SA organisations spend between 0.5 to 1.5 percent of the payroll on training compared to 5 percent of European, 5,5% of American and 8 percent in Japanese MNCs. The apartheid legacy in SA created a racial segmentation of the labour market in respect of access to higher level technological skills (Barker, 1999), Isaacs (1997) and Standing, Sender & Weeks (1996). Training and development are seen by both managers and frontline employees in the services industry in SA as vital in addressing the skills gap and developing the capacity to meet competitive demands (Browning, 2000). As noted earlier, a feature of macro-economic policy is to attract foreign direct investment and multinational firms, often in joint ventures with local empowerment companies. An important question arises whether the influence/power of MNCs is so extensive and penetrative as to override local implementation factors such as the regulatory environment, including legislated employment standards and collective bargaining, and cultural factors. Effective diffusion and integration of HR practices will therefore depend on the relative importance of these factors. The stakeholder perspective is relatively well accepted in South Africa's new democracy. The historical exclusion of key stakeholders under apartheid has been replaced by a new emphasis on consultation and involvement of key groups and individuals, for example in NEDLAC. It includes organised business, labour and government departments in formulating industry, and labour market policies. Arguably, the stronger the stakeholder and pluralist perspectives are institutionalised in a society, the more likely that 'crossvergent' or hybrid models of MNC and local HRM practices will develop.

Emergent trends in the labour market

An HRM imperative is to address the discriminatory legacy of apartheid in removing unfair discrimination in the workplace and enhancing organisational representation of Africans, Coloured people, Indians and women. Apartheid education and skills legislation created a

relatively unique basis for skills and earnings inequalities. African access to trades and skilled work was legislatively prohibited by job reservation in favour of white employees in the then Industrial Conciliation Act (1956) and the Mines and Works Act. These were repealed in 1980 – some twenty years ago, yet African progress into skilled and managerial work has been slow. A new culture of learning and integration rather than reliance only on 'access and legitimacy and discrimination and fairness' perspectives has become necessary to ensure cohesive and productive work group relations in diverse settings (Ely and Thomas 2001).

A structural inequality in the skill profile exists: a shortage of occupationally and managerially skilled employees is contrasted with an oversupply of unskilled labour, ill equipped for a modernising economy with increasing knowledge and service sector priorities. South Africa has a rapidly growing and large youth population, which is predominantly African, poor and lacking in education and skills (Horwitz, Nkomo, & Rajah, 2004). This presents a huge challenge to the state, public institutions and private sector. The labour market absorption rate for young entrants, given modest economic growth of 2 to 3.5 percent over the past six years, has been low. Given the lack of relevant skills in market demand fields, coupled with shrinking formal core employment, youth unemployment is high. Socio-economic and labour market issues remain pressing managerial and business challenges in the post apartheid transitional economy. The government has relaxed legislative provisions on basic conditions of employment to allow greater flexibility for small firms and is encouraging better education and occupationally relevant skills through the Skills Development Act (1998). It aims at encouraging the provision of opportunities for new labour market entrants to develop skills and gain experience for better employment prospects.

Human resource development priorities and policy challenges in achieving organisational change and capacity building in the labour market are critical to enhancing SA's international competitiveness. In SA, a developing economy, skilled jobs are growing and unskilled jobs are declining.) Job losses have occurred due to import liberalisation arising from rationalization of production and downsizing of employment often reflecting inefficiencies and comparatively low productivity and high costs in relation to low wage economies like China (Hayter, 1999 and Godfrey, Clarke, Theron and Greenburg (2005). In 1996, South Africa lowered tariffs on imported goods significantly and rapidly. As a result after years of protection, the local clothing industry is increasingly competing directly with those of other countries. These are countries with much lower labour costs producing clothing intended for lower end of the market. Products from these countries have also been entering SA illegally through its porous borders. Over time, the quantity of clothing beginning at the lower end has spread to the middle and upper market segments. Whilst overall employment in the clothing industry may not have declines as significantly as media reports suggest, closer investigation shows that formal employment has shrunk considerably and informal employment has increased. Employment has shifted from firms registered with bargaining councils (that is, formal employment) to unregistered firms or firms located outside the bargaining council areas resulting in deterioration in employment conditions, social protection and pay.

Data on the number of clothing manufacturers in operation, data indicates that the industry is larger than its formal component. Restructuring has also involved a decrease in the average size of clothing firms (measured in terms of numbers employed). The data on the number of firms and employees makes it clear that a process of informalisation has accompanied downsizing and retrenchment in the formal clothing industry. Production has been fragmented and relocated away from established manufacturers to smaller operations, some of which are registered cut, make and trim (CMTs) but many of which are unregistered firms or

homeworking operations. China now has an 86% market share of clothing imports into SA (Paton and Bisseker (2005). There is a heated national debate regarding the question of enhancing labour market flexibility, help for small business and lowering the regulatory cost of doing business. The labour absorption capacity of the market for youth employment is limited, resulting in high youth unemployment or employment in non-standard precarious work. These trends pose serious challenged with regard to compliance with bargaining council agreements and other labour standards. Enforcement of these regulations has become much harder. For, example, there has been an increase in the number of non-complaint clothing manufacturers and CMTs. This is sometimes referred to as the 'domestic sweatshop phenomenon'. Also, in areas that were outside of bargaining council agreements, foreign-owned export-oriented firms have proliferated. These firms have not only prevented SACTWU from organizing workers in some factories, but also illegally refused access to Department of Labour (DOL) and bargaining council inspectors.

The Human Sciences Research Council (HSRC) has identified what it refers to as high, intermediate and low-skills bands in the SA labour market, with the intermediate skills education and training band having the most severe skills shortage, with an oversupply of unskilled workers especially in informal and casual employment. Intermediate skills band shortages include for example artisans, technicians manufacturing operatives (Kraak 2004). Supply side provision by educational and training institutions in these skill categories shows a worrying decline. Kraak (op cit: 65) argues that a skills crisis in the high level skill-band may be exaggerated and misplaced; this given for example, high unemployment (approximately 1 million) of young graduates attempting to find their first job. Arguably though, some higher level qualifications may see an oversupply at the entry level, for example human resource practitioners, though others such as actuaries may still be in demand. There is a partial decline in the demand for engineers which is mirrored in the decline in the training of engineers on the supply side with a decline in university output of engineers since the mid-1990's. Positively however, 45 per cent of new learnerships registered by the Department of Labour are in the intermediate band (Kraak op. cit: 79). Steadily rising economic growth predicted to rise to 5.8-6 percent from 2006 may accelerate the present muted demand. The HSRC argues that SA needs an economic growth trajectory that includes a significant low-skill, labour intensive employment strategy (Kraak op cit: 84 and Ashton (2004). This would not preclude the identification of high performance niche industries requiring high-level skills formation. Hence multi-faceted policy solutions are needed. Such policy priorities would need to address the declining output of key 'hard' technical areas such as engineers and technical operatives.

Allied to the issues of skills supply and demand, HIV/AIDS has a disproportionately negative impact on the economically active population, on Africans and women. The impact is projected to occur unevenly across companies and sectors, and all skill levels will be negatively affected. Capital substitution, poaching and the importation of foreign skilled labour may occur. HIV/AIDS will adversely affect quantity and quality of education; the achievement of equity targets in skills development, education and training may be at risk (Human Resources Development Review 2003). Crime and an HIV/AIDS epidemic are pressing social problems for policy choices. Estimated shrinkage from year 2002 to 2015 of real GDP owing to AIDS, ranges from 2.8-9.6% (ABSA Bank and ING Barings 2002). Although not yet viewed by a majority of South African firms as a strategic issue, the rate of HIV/AIDS in the labour force is viewed by some as having the potential to erode productivity gains made through skill development efforts. According to the Medical Research Council of South Africa about 12-15 percent of the population is HIV infected. AIDS has become the single biggest cause of death (Dorrington, Bourne, Bradshaw, Laubscher & Timaeus, 2001). Firms in the mining industry

are expected to be hit particularly hard because of the legacy of migrant labour. Some large firms like Anglo Gold have responded by offering employees access to HIV drugs. As the impact of the disease becomes more evident, firms may have no choice but to address it has a strategic human resource management challenge.

Templer, Hofmeyr and Rall (1997:551-558) found a preference for developing an African model of management, with less reliance on American and Japanese MNC approaches. A comparative study found agreement between human resource practitioners in Canada, South Africa and Zimbabwe on the need for flexible work practices and cost effectiveness, but significant differences in priorities South African practices under apartheid focused on personnel administration and industrial relations. This has shifted to emphasising employment equity, performance management and organisational restructuring often resulting in downsizing and retrenchments. The twin challenges of redressing labour market inequalities created by apartheid and simultaneously and rapidly creating competitive capabilities are daunting, often competing, but unavoidable HRM challenges. The magnitude of these challenges are best understood within their historical and stakeholder context. African economic empowerment has become a priority for the new government as a strategy to break through the social closure created by past discriminatory policies. Professional, managerial and transport occupations account for an increase of around 2 million jobs since 1970. More skilled employees have been absorbed into service industries, due to a structural shift from the primary sector to growth in services, accompanied by rising capital to labour ratios. Greatest demand is expected for skills in I.T and finance (Bhorat, 1999). The labour absorption capacity into higher skill and managerial jobs is being nudged by supply-side measures such as employment equity legislation.

MNC and local firm dimensions of human resource management

We have earlier evaluated trends dealing with human resource development, skills training, employment equity and employment relations. Recruitment and selection have become important focal points for both seeking to attract talent and address equity imperatives. Methods for recruitment and selection have come under scrutiny in respect of fair and non-discriminatory practices. Chapter 2 of the Employment Equity Act (1998) makes important provisions regarding the use of psychometric and HIV testing, which are free of any cultural or ethnic bias. Whilst it is good professional practice anyway, this Act requires an employer to conduct a review of recruitment and selection practices and promotion policies to ensure they do not unfairly discriminate. This has resulted in a more professional approach to recruitment and selection. Recruitment agencies are also required to ensure compliance with the non-discriminatory provisions of legislation. An applicant for a job is included in the definition of 'employee' in employment equity and other labour laws. This means that a job candidate cannot be discriminated against unfairly on grounds of factors such as race or gender.

Remuneration policy and practice have become an important function for an employer to leverage performance improvement (Horwitz (2000). Especially at executive level, SA firms are increasingly applying and adapting best pay practices largely from the US MNCs. There is a trend towards performance-based pay, with an increased variable component of pay. Basic pay for executives is declining as a proportion of total package with more use of share options, profit sharing, variable and flexible pay measures. At operational levels and often in negotiation with trade unions, skill-based pay has been introduced. Examples include auto assembly, clothing and textiles and various engineering and manufacturing firms. But in sectors such as building and construction, increased labour sub-contracting has resulted in a

deterioration of conditions of employment for increasing numbers of workers. Rising earnings differentials owe in part to these factors and the legacy of an 'apartheid pay gap'. It has been difficult to prove that pay differences are exclusively due to racial discrimination, and not other factors such as performance, length of service, and relevant experience, even though there is a reverse onus of proof (the employer has to provide a legally valid explanation) in claims of unfair discrimination. Human resource departments are concerned with both pay administration and measures to improve performance management through pay incentives. Increasingly the former is being outsourced and/or replaced with technology as IT and new software packages are designed to do pay administration. For more progressive organisations, this will allow HR functions to concentrate on aligning HR policy and measures with organisational strategy to optimise performance.

The use of job evaluation by HR departments in medium and large organisations is common practice for establishing the relative worth of jobs and ranking jobs as a basis for designing a grading structure. Job evaluation systems were introduced in the mining and beer brewing industries in the early 1970's. Job evaluation systems such as Hay, Peromnes (a widely used locally developed system), Paterson and others are variously used in agri-business, engineering, government, insurance and financial services, manufacturing, mining and tertiary educational institutions such as universities. As organisations restructure and delayer hierarchies, job evaluation systems have to adapt to deal with processes such as broad banding and multi-skilling. Job analysis and work process redesign are increasingly important facets of HR work in SA. Research shows that although Western MNC HRM practices have prevailed for decades in African countries there is an increase in SA firms adopting Japanese and east Asian practices (Horwitz, Kamoche and Chew 2002, and Faull 2000). This is particularly evident in the use of Japanese MNC (such as Toyota and Nissan which have assembly plants in SA) lean manufacturing, just-in-time methods and other operations management measures to reduce product defects, stock holdings, inventory and waste. These measures have also increased in the manufacturing sector where firms have introduced kaizen, kanban methods, Nissan type green areas, Toyota Total Quality Management (TQM) and production systems and quality improvement teams. However, the adoption of east Asian work practices is seen by many as unworkable. Many firms believe that Japanese MNC work philosophies are rooted in a different cultural context and cannot therefore be copied in African countries (Keenan 2000:26). There is case study evidence of forms of functional flexibility in firms such as Pick n Pay Retailers, SA Nylon Spinners and Sun International Hotels. (Horwitz and Townshend 1993). However, these practices are less common (under 10 percent) in relation to use of numerical flexibility such as downsizing and outsourcing, and temporal flexibility types such as part-time, temporary and casual, short term work (Allen et al 2001). Use of flexible work practices, including functional forms of flexibility such as multi-skilling and performance based pay, is more common in MNCs than in local SA firms (Horwitz and Smith, 1998: 590-606). SA organisations tend to emphasise collective and procedural relations, whereas MNC firms in SA have more distinctive often diffused HRM practices based on individual relations.

Empirical work in SA on the concept of "effectiveness" in HRM and industrial relations practices has attempted to determine the relationship between these factors and performance measures such as service (Browning, 1998, Horwitz & Neville, 1996, Templer and Cattaneo, 1991, and Owens & van der Merwe, 1993). Mediating contextual factors in adoption of HRM have been found in other African countries (Kamoche, 1992). Kamoche (1993) offers a provisional model of HRM in Africa. Considering the notion of "effectiveness" in HRM and industrial relations, a critical challenge is that of moving from discriminatory practices,

adversarial industrial relations and an under-skilled workforce, towards a fair HRM regime with high performance practices. Consequently, managing diversity, job design, training and development, and performance management seem to be dominant HRM functional areas driving the agendas of both SA and MNC firms in SA.

Employment relations and legislative developments

Employment relations in SA have undergone major changes over the past two decades (Rajah, 2000). An adversarial race-based dualistic system evolved following labour legislation in 1924 which led to trade unions rights which excluded Africans. Only in 1980 were unions representing African workers legitimised. Inclusive bargaining councils were fostered through the Labour Relations Act in 1995. African unions grew to over 3 million members in 2001 from less 10 per cent of the formal sector work force in the late 1970s. The largest unions are affiliated to union federations such as the Congress of South African Trade Unions (COSATU) and the National Council of Unions (NACTU).

The Labour Relations Act (1995) also established labour and labour appeal courts, and the Commission for Conciliation Mediation and Arbitration (CCMA). The CCMA handles both procedural and distributive or substantive justice in considering the fairness of a matter such as dismissal. The new Act sought to bring employment law in line with the constitution and ratified Conventions of the International Labour Organisation. It aims to give effect to constitutional rights permitting employees to form unions, to strike for collective bargaining purposes, and the right to fair labour practices. Employers have the right to form and join employers' organisations and the recourse to the lockout for the purpose of collective bargaining. Strike action is protected only if a specified dispute procedure is followed. Whist centralised industry level and decentralised enterprise or plant bargaining may occur, increased devolution and fragmentation of bargaining has occurred in the past nine years. The number of bargaining councils has declined to less than 80 as employers withdraw from them, favouring plant or enterprise bargaining and increased employment flexibility. This has occurred for example in the building and construction industries, as new forms of employment emphasising flexibility using independent sub-contractors, outsourcing, part-time and temporary work and increased casualisation and informalisation of work. These practices are associated with a recent decline in private sector union density and some evidence of deterioration in employment standards in certain sectors. The Basic Conditions of Employment Act (1998) however, provides for establishing minimum standards of employment. These conditions cover areas from the designation of working hours to termination regulations and have been extended to farm and domestic workers. Work days lost through strike action have also declined since 1994. Whilst under apartheid African unions fought for fair labour practices, worker rights and better pay and conditions of employment, they also were at the forefront of the struggle for political rights. Once political and labour rights complemented each other in the first democratic elections in 1994, this labour paradox was resolved. This resulted in an intense policy debate within the union movement as to its repositioning in the new SA. The work place as an arena for political struggle has largely been replaced with an emphasis on measures to try and preserve employment and HR issues such as training and development and employment equity (Horwitz et al 2004). The Labour Relations Act seeks to promote employee participation in decision making through workplace forums and employee consultation and joint decision making on certain issues. It provides for simple procedures for the resolution of labour disputes through statutory conciliation and arbitration, and through independent alternative dispute resolution services. Amendments to Act came into effect on 1 August 2002. New forms of dispute resolution were developed to include pre-dismissal arbitration and one

stop dispute resolution known as CON-ARB. Both unions and management have the power to request the CCMA to facilitate retrenchment negotiations to achieve constructive outcomes.

A key challenge in employment relations is the need to shift from a legacy of adversarial relationships to work place co-operation to successfully compete in the market place. There is evidence in some sectors such as auto assembly that this is understood by both parties. There is increasingly a blurring of the distinction between employment relations and HRM. The new agenda focuses beyond the traditional collective bargaining items and adversarial dismissal disputes, to organisational transformation, performance improvement, human resource development and employee benefits. Trade unions have become more willing to engage employers around these issues. Finding a productive balance between equity and work place justice imperatives on the one hand, and HR and employment relations strategies enhancing competitiveness on the other, is a vital challenge for mangers and unions.

Employment equity legislation and human resource practices

Legislative prohibitions against unfair discrimination are intrinsic to SA's Constitution (1996). Chapter 2 (the Bill of Rights) contains an equality clause, which specifies a number of grounds which constitute unfair discrimination. Additionally, Schedule 7 of the Labour Relations Act (1995) considers unfair discrimination either directly or indirectly as a residual unfair labour practice. Grounds include race, gender, ethnic origin, sexual orientation, religion, disability, conscience, belief, language and culture. The Employment Equity Act (1998) focuses on unfair discrimination in employment and HR practices. Employers are required to take steps to end unfair discrimination in employment policies and practices. It prohibits the unfair discrimination against employees including job seekers on any arbitrary grounds including race, gender, pregnancy, marital status, sexual orientation, disability, language and religion.

The Constitution and prohibitions contained in the Employment Equity Act and other labour legislation, distinguishes permissible discrimination from impermissible discrimination. All designated employers (these who employ 50 or more people) have to prepare and submit to the Department of Labour, an employment equity plan setting out goals, targets, timetables and measures to be taken to remove discriminatory employment practices and achieve greater workforce representation, especially at managerial and skilled category levels. The Employment Equity Act does not set quotas, but rather enables individual employers to develop their own HR and equity plans. Criteria regarding enhanced representation include national and regional demographic information and special skills supply/availability. The Employment Equity Act includes provisions against unfair discrimination in selection and recruitment, aptitude testing, HIV/AIDS testing, promotions, and access to training and development opportunities. It is generally accepted that an "apartheid wage gap" saw pay discrimination evolve over some four decades or more. More recent equalisation of opportunities has not always led to pay parity for work of equal value. Section 27 of The Employment Equity Act somewhat controversially requires designated employers, as part of a required employment equity plan, to submit to the Department of Labour a statement on the remuneration and benefits received in each occupational category and level of the employer's workforce. Where disproportionate income differentials are reflected in the statement, an employer is required to take measures to progressively reduce such differentials. Measures include collective bargaining, skills formation, compliance with other wage regulating instruments and benchmarks set by the Employment Conditions Commission.

As part of a required employment equity plan, designated employers have to review employment and human resources practices to remove provisions or practices which may have an unfair discriminatory effect. This includes recruitment and selection and remuneration. An applicant for a job is included in the definition of 'employee', making illegal, unfair discrimination in pre-employment recruitment and selection practices, such as psychometric assessment, interviews and application form questions which do not pertain directly to the ability of the person to do the job. South African labour law allows discrimination on the basis of inherent job requirements. But the object of an employer's conduct must be fair, and the means rational. It is in these areas, as well as in the provision of substantive benefits and conditions of employment, where unfair discrimination is most likely. The notions of disproportionate effect and adverse impact are considered in this regard. Once an employee claims discrimination, the evidentiary burden shifts to the employer to show that the discrimination is not unfair. It is nonetheless very difficult for an employee to prove pay discrimination conclusively. In particular, whilst discrimination may occur, an employer may cogently submit that pay and skill differences were not the result of unfair discrimination, but due to factors such as differences in performance, experience, competencies and service. Recent court cases show that even in an environment where affirmative action to overcome past discrimination is accepted as an appropriate method to achieve equity, there are continuing differing interpretations about its aims and effects on HR practice. Decisions based on race or gender, unless they related to a genuine skills or occupational requirement, could be found to be arbitrary and unfair labour practices (Van Vuuren 1998 and Liberty Life 1996 cases). Affirmative action, though, is not regarded as unfair discrimination in SA labour law. Both the policy and organizational context in which the dispute arises is pertinent This tends to reflect the limitations of the 'discrimination and fairness' as well as 'access and equal opportunity' perspectives as legalistic and procedural remedies to race and ethnic relations problems in the work place. Change management and 'soft' HR strategies focussing on relationship building and cultural transformation to integrate diversity as a value in itself for effective work group relations, have been found to be more effective than reliance on procedural justice approaches alone (Horwitz et al, 2004).

Even when employers explicitly espouse these policies, the consequences of years of systematic discrimination continue to skew both internal and external labour markets. Managers' failure to adequately address both skills and pay practices in the service industry in SA has a direct adverse impact on service behaviour of frontline employees (Browning, 2000). Human resource policies and remuneration practices do not occur in a "neutral" or unbiased context. The institutional environment remains a powerful influence on HRM in SA, mitigated to an extent by the competitive forces of global competition. Table 1 shows that employed Africans, both men and women, tend to be concentrated in lower income levels.

Table 1: Claimed monthly household income by race 2000

	African	Asian & Coloured	White	Total Population
R1-R499	15.8%	1.3%	0.3%	11.8%
R500-R899	26.2%	4.4%	1.2%	20.1%
R900-R1,399	21.2%	6.4%	2.9%	1`7.1%
R1,400-R2,499	17.1%	10.2%	5.8%	15.2%
R2,500-R3,999	8.7%	12.6%	9.7%	9.8%
R4,000-R6,999	6.8%	23.7%	24.2%	11.5%
R7,000- R11,999	3.0%	24.5%	31.5%	9.0%

R12,000+	1.1%	17.0%	24.4%	5.6%
All (a) (R)	100.0%	100.0%	100.0%	100.0%
Average (R):2000 (b)	1 865	7 265	9 108	3 368
Percentage change: 1999-2000	19.3%	3.4%	4.2%	5.7%

Source: South African Advertising Research Foundation, All Media Products Survey 2000, p.30

Although changing, with use of unfair discrimination legal action, a "glass ceiling" still remains for designated groups. According to the 2003 Annual Employment Equity report, workers covered by large (150 + employees) employers under the Employment Equity Act (EEA) represented approx. 35% of the total formally employed people in 2003 relative to 8,373, 761 in the labour force in the formal sector; as Table 2 indicates, in the formal sector labour force, almost 60% of employees were Africans, 15% Coloured, 5% Indian and White employees 23%. The percentages for employees in the employment equity returns filed by employers are very similar. African males had the highest relative representation (38%) in the labour force compared to the employment equity (EE) data (Annual Employment Equity Report, 2003).

Table 2   Demographics: population group & gender (Labour Force Survey (LFS) 2003 vs. Employment Equity (EE 2003)

Population	Workforce profiles					
Group	2003 LFS (formally employed)			EE 2003 (permanent employment)		
	Male	Female	Total	Male	Female	Total
African	3,177,503	1,726,578	4,904,080	1,220,153	526,753	1,746,906
	61.7%	53.5%	58.6%	64.8%	49.8%	59.4%
Coloured	669,337	533,397	1,202,733	190,617	183,413	374,030
	13.0%	16.5%	14.4%	10.1%	17.3%	12.7%
Indian	263,752	172,221	435,973	84,747	61,146	145,893
	5.1%	5.3%	5.2%	4.5%	5.8%	5.0%
White	1,037,568	793,406	1,830,974	387,276	286,893	674,169
	20.2%	24.6%	21.9%	20.6%	27.1%	22.9%
Total	5,148,159	3,225,601	8,373,761	1,882,793	1,058,205	2,940,998
	100%	100%	100%	100%	100%	100%

Whilst there has been upward occupational mobility since the country's first democratic elections in 1994, this has been slower than might have been expected. As Tables 3 and 4 show, in the top employment categories, Whites still hold most executive and managerial posts occupying 62 % of these (males 47%, females 15%). Africans represent 51% (males 23%, females 28%) of the people employed as professionals, while 86% (male 64%, female 22%) of elementary occupations are also filled by Africans. The African population also account for 64% of non-permanent employment (males 37%, females 27%).

Table 3 Employment per occupational category comparisons (Labour Force Survey (LFS) 2003 & Employment Equity (EE) 2003)

Occupational category	Employees	
	2003 LFS (formally employed)	EE 2003 (permanent employment)
Executive/Managerial/'legislator'	9%	4%
Professionals	6%	11%
Technicians	13%	12%
Clerks	14%	16%
Service	13%	12%
Skilled agricultural	1%	1%
Craft	12%	6%
Plant operators	13%	16%
Elementary	20%	22%
Total	100%	100%

In addition to the nine occupational categories, employers are also required to group employees into six occupational levels: 'Top management', 'Senior management', 'Professionally qualified and experienced specialists and mid-management', 'Skilled technical and academically qualified workers', 'Junior management, supervisors, foremen and superintendents', 'Semi-skilled and discretionary decision making' and 'Unskilled and defined decision making'.

Table 4 Employment by Occupational Level

Occupational level	Male				Female				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	1,741	477	651	10,469	568	132	115	1,362	15,515
%	0%	0%	1%	3%	0%	0%	0%	0%	1%
Senior management	4,829	2,062	2,538	27,397	1,899	958	662	7,088	47,433
%	0%	1%	3%	7%	0%	1%	1%	2%	2%
Mid-management	55,016	10,101	10,125	88,657	45,782	5,695	4,222	38,524	258,122
%	5%	5%	12%	23%	9%	3%	7%	13%	9%
Skilled	196,875	55,454	32,853	184,536	157,342	53,256	24,166	137,055	841,537
%	16%	29%	39%	48%	30%	29%	40%	48%	29%
Semi-skilled	494,638	81,554	29,319	60,996	159,701	83,715	25,232	95,826	1,030,981
%	41%	42%	35%	16%	30%	45%	41%	33%	35%
Unskilled	452,942	42,371	8,244	10,295	159,818	41,887	6,751	6,828	729,136
%	38%	22%	10%	3%	30%	23%	11%	2%	25%
TOTAL PERMANENT	1,206,041	192,019	83,730	382,350	525,110	185,643	61,148	286,683	2,922,724
%	89%	88%	88%	92%	85%	85%	88%	91%	89%
Non–permanent employees	142,049	26,496	11,422	31,691	93,477	33,109	8,654	27,222	374,120
%	11%	12%	12%	8%	15%	15%	12%	9%	11%
TOTAL	1,348,090	218,515	95,152	414,041	618,587	218,752	69,802	313,905	3,296,844
%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Three percent of all employees fall into the top or senior management levels with middle management accounting for 9%. Semi- and unskilled employees account for 60% of the workforce. White employees are more likely to be part of top management than members of other groups, and both Indian and white employees are more likely to be employed at the top to middle management level. The majority (68%) of African employees are employed at the semi-skilled or unskilled level, and African employees are more likely than other population groups to be employed at the unskilled level (Annual Employment Equity (EE) Report, 2003).

Broad-based Black Economic Empowerment (BEE) and Human Resource Management

One of the strategies used by the SA government to encourage black equity in the economy is called the Broad-Based Black Economic Empowerment. It was introduced in the Broad-Based BEE Act of 2003. It means the economic empowerment of Blacks including Black women, persons with disabilities, and others through diverse but integrated socio-economic strategies including increasing the number of Blacks who manage, own and control enterprises and productive assets, human resource skills and development, equitable representation in all occupational categories and levels in the workforce, preferential procurement and investment in enterprises that are owned or managed by Black people.

Broad-based BEE has three components: direct empowerment, human resource development and indirect empowerment. The human resource development component's beneficiaries are employees and workers through employment equity and skills development. Skills development indicates development of core competencies of black people to facilitate their interaction in the mainstream of the economy. The BBBEE concept has caught on quite significantly. Many industrial sectors have set targets through negotiated charters for BEE and others are implementing EE and skills development to an increasing extent. It is almost daily news, (see for instance, Mathews & Cohen, September.30, 2005:1; Rose, September 30, 2005: and Cokayne, "Motor industry BEE task team stalls as it awaits revised scorecard'' September 30, 2005:1). According to Navin and Neil (2005) "…the government's black economic empowerment (BEE) program is beginning to pick up pace and fundamental shift in the economic balance of power could be on its way". The government and industrial leaders from several sectors have drawn up industry charters. These charters lay down a series of targets for the proportion of each sector to be controlled by companies mainly owned by black South Africans. For instance, Navin and Neil (2005) indicate that charters have already been completed for the financial, tourisms; and mining sectors, among others. Standard Bank, country largest bank, indicated that it would sell a 10% stake to black empowerment interests; it already has two prominent blacks on its board of directors. The key targets for the banking industry are to boost the number of black SA board members to 33% by 2008, up from 25% at present; to increase the number of black SA executives from 10% in 2003 to 25% by 2008; and to increase procurement from BEE companies from 13% at the end of 2003 to 25% by 2008. The banking and finance sector have also promised to boost black employment at all levels from 13% at the end of 2003 to 50% by 2008. Additional targets for empowerment are that by 2008 11% of all board members should be black women and at least 80% of the population must have access to a bank within 20 kilometres of either their home or work place by 2008. A study commissioned in 2004 by the Businesswomen's Association (BWA) and Nedbank found that 14.7 percent of executive managers and 7.1 percent of all directors in SA are women; seven or 1.9 percent of CEO's are women and not a single female chairperson of listed IT companies in SA (The Top Women, 2005/6, page 10). Some of the biggest stumbling blocks in women's progress as directors and chief executives are a lack of serious mentorship, lack of

opportunity and poor self-esteem (The top Women, 2005/6, page 46). However, most women are employed in state-owned enterprises (SOEs) than in the private sector. In SOEs women make up 34.9 percent as directors and 31.3 percent in executive management positions (The Top Women, 2005/6: 73).

The empowerment issue is important for both local and MNC firms. It is a sensitive issue for the latter, who sometimes question the efficacy of what is perceived as 'giving away' an ownership share especially if the MNC is privately owned, or where this is not the practice in their other international operations. This said, joint ventures in countries like China are common place, or in other African countries where the State may be a beneficiary. The requirement that BEE should include MNCs is sometimes cited as a barrier to foreign direct investment in the country. It would appear that government is willing to listen to these positions as its policy evolves. MNCs are mostly willing to address the other facets of BEE charters and in some areas such as training and development, are performing better than many local firms.

Managing diversity and changing managerial styles

While many organisations around the world have implemented managing diversity initiatives in response to the growing heterogeneity of the workforce (Nkomo & Cox, 1996), SA organisations generally lag in the adoption of such practices. In a study of the diversity management in a sample of SA and MNC firms, Strydom & Erwee (1998) found at the time that the majority were best classified as monolithic companies wherein blacks were expected to adopt the culture of the white dominant group. Hence, most SA organisations and MNCs in the country are still using what Ely and Thomas (2001) describe as the discrimination and fairness paradigm in managing diversity. Organisations that look at diversity through this lens focus on recruitment and selection of African, Coloured people and Indians and women employees and compliance with provisions of the Employment Equity Act. Such an approach may be justifiable given the mandate of employment equity legislation, union demands and the historical exclusion of Africans and women from certain occupations. The fairly slow progress in achieving employment equity is due to management's emphasis on numerical goals and not enough attention to creating organisational cultures and workplaces that value diversity as key to competitive advantage. The Report on Employment Equity Registry issued by the Department of Labour in 2000 cited corporate culture as one of the major barriers to employment equity (Department of Labour, 2000). Nevertheless, the specific strategies adopted by firms to value and manage diversity will have to take into consideration the specificity of the local and historical context. An example of such an approach is the one taken by First National Bank. Their unique approach was designed to address the dual challenges of low employee morale due to perceptions of racism among black employees and feelings of reverse discrimination among white employees and a business need to increase checking account revenues from the growing black urban population. In addition to cultural diversity awareness training, the programme required all managers to spend two days in an African township to better understand customer needs. Additionally, the bank institutionalised ongoing staff gatherings and the use of collective decision making in branches (Sunday Times, 2002).

Managerial styles reflect organizational and national cultural patterns. In SA, whilst achievement is valued, group and organization conformity is also important. Whilst there is a paucity of empirical research on managerial culture in SA firms a masculine dominance is evident across ethnic groups (Horwitz 2002:215-217), underlined by individualist values and a

relatively large power distance between groups based on historical racial and ethnic disparities. However, an emergent African middle class has begun to occupy decision-making roles. Class mobility is likely to have an impact on managerial culture and inform strategic choices about appropriate organizational culture, business and HRM practices in SA. Organization and national culture reflect considerable diversity and pluralism. Managerial styles in SA reflect both Anglo-Saxon, Western values based on individualism, meritocracy and an authoritarian legacy of apartheid. These are often rooted in high masculinity cultures (Hofstede 1991). However, indigenous models struggle to assert themselves in the face of a converging global business orthodoxy (Mbigi 2000).

Conclusions and implications

Although incremental progress has been made to enhance racial and gender diversity, this has to be supported by coherent human resource development priorities and changes in organisational culture. This is vital at both public policy and organisational levels. Rising income inequalities are beginning to cut across racial and ethnic lines. This could create a new fault line of inequality. An increased earnings gap has an adverse impact on mainly African people. This, in spite of increasing diversity and the multi-racial character of a growing middle class. The biggest priority must be human resource development and education in skills and competencies needed in a transitional society. Several sectors need both high and low level skills. The former are in the information economy and high value adding occupations, while the latter are in services sectors such as hospitality. Hybrid forms of HR based on MNC and local form practices may occur in nomenclature, design, content and implementation processes. There is some evidence of reverse diffusion. SAB Miller's (South African Breweries owns the US beer company Miller) jointly owned breweries in Poland have successfully implemented best operating practices and management know-how on systems, process and technology based on Japanese practices and its experience in emergent economies. A balance will need to be struck between indigenous responses to past discrimination and the clear need for high performance practices.

This conclusion is consistent with Aguilera and Dencker (2004) and Child (2002) who note differing levels of integration across countries, ranging from no integration, to partial integration, to full integration. For example, firms in the US and the UK integrate their subsidiaries to a greater extent than do firms in Japan, Germany and France. Aguilera and Dencker (2004) in positing a strategic fit framework argue that although at a broad level practices such as pay-for-performance systems are common across market economy types, at a refined level there are non-trivial differences that HR has to manage for example a compensation system in the BP Amoco merger had to be redesigned because they differed significantly and a new job structure framework were established. Thus, even firms in countries within the same market economic type will experience some degree of localization in HRM practices and policies and therefore need to adjust the role of HRM accordingly.

Given the diverse ethnic demography of SA society, most of the underclass is African. Organisations including MNCs will need to shift from compliance to a commitment model that has an organisational culture reflecting the notion of ubuntu and capacity building as vital for both competitiveness and equity in the work place. South Africa faces a double transitional challenge – to redress the historical inequalities by building a democracy based on human rights and tolerance, and to simultaneously and speedily develop its human capital capacity to compete in a harsh global economy. Arguably this is a bigger policy and practical challenge than managerial and executive employment equity, where the focus seems to lie. Skills

formation and entrepreneurial development are vital, especially in a country with huge transitional challenges (Horwitz et al. 2004). These can be summed up in one word – "development". National skills policies have introduced mechanisms such as a 1% of payroll levy to finance human resource development in order to meet national, sector and organisational development objectives. Particular sector skills formation through Sector Training Authorities (SETAS) and a national qualifications framework (NQF) (Sparreboom 2004: 130-131) are encouraged by law. Economic empowerment and employment equity are not possible without human resource development and education as a fundamental national priority. Large-scale labour absorption into a shrinking formal labour market is unlikely, given the shift of employment to service and informal, non-core work mainly outside the ambit of employment equity legislation. The priority of practical policy initiatives by government, private sector firms, labour market institutions such as sector training authorities and bargaining councils, must be large scale initiatives to train and retrain for enhancing employability in the changing labour market.

This is supported by Gomez and Sanchez (2005) who conclude that human resources can play a strategic role in building social capital in the process of balancing local and global forces. They argue that HR can be critical in helping MNCs deal with local differences while also helping the company implement practices that are critical for its global strategy and local development needs. Globalization and localization call for different levels of MNC control and coordination of its subsidiaries. One such mechanism used by MNCs concerned with coordination/integration is the creation of social capital – the intangible resources embedded in the network of existing company relationships that assist in the accomplishment of necessary tasks; it allows MNCs to help bridge the gap between globalization and localization of strategic practices. These authors submit that HR practices can create social capital in locally adaptive ways. Even though practices are bound to differ among countries, strategically speaking, companies will want to some practice commonalities across their subsidiaries, and more specifically, those practices that are strategically aligned with the organization's mission. Companies specifically transfer organizational practices that reflect their core competencies and espoused corporate values. HR practices are associated with social capital. Practices such as human resource development, fair labor practices and standards, equal opportunity and employee empowerment and equitable wage structures and incentive schemes, cross-functional team development, performance management systems incentives and other practices differentiate firms with high levels of social capital from those with low levels. According to Gomez and Sanchez (2005) certain of these practices may be more appropriate for certain cultural contexts than for others and in building social capital, MNCs must take into account the cultural and institutional context in which they operate. The same HR practices that build trust in one country context may fail to do so in another - each HR practice that an MNC considers implementing should be filtered through a "localization mesh" that identifies clashes with local values. This analysis, according to the above authors, should allow for modifications that will render the practice culturally fit.

In South Africa this means that local and MNC firms will need to shift from compliance to a commitment model that has an organisational culture reflecting the notion of ubuntu, social capital and capacity building as vital for both competitiveness and equity in the work place. South Africa faces a double transitional challenge – to redress the historical inequalities by building a democracy based on human rights and tolerance, and to simultaneously and speedily develop its human capital capacity to compete in a harsh global economy.

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