



Economic Freedom Charter

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THE FURNITURE MANUFACTURING INDUSTRY 1984 TO 1986

INTRODUCTION:

The one piece of legislation that I was in conflict with dates back to the Industrial Conciliation Act, 1937, I was a director of a small furniture manufacturing company in November 1984 when the Industrial Council for the Furniture Manufacturing Industry, Natal, without consulting those located in the area outside their jurisdiction, extended their Council agreement to all areas in Kwa-Zulu Natal.

This started two years of conflict in our Industry as the big players protected their profits, had South Africa had the world NGO support it enjoys today, the results of this conflict could have changed the face of our economic freedom today. By the end of 1996 we had succeeded to defend ourselves from this viscous attack, at great cost to all of us involved.

At that stage we were fighting our own personal survival battle, not understanding how this same regulatory control, attached to huge penalties, was becoming part of South Africa's economic life. The economic life where it was decreed that all established businesses had the constitutional right to protect their wealth from any "perceived unfair opposition".

Many of our employees were retrenched during that conflict, and the elite furniture manufacturers employee numbers escalated to 8000 in the Durban, Pinetown and Pietermaritzburg areas by 1988.

Today these same operations employ no more that 1500.

Imports are flooding the market.

I have hear comment that the Government, in support of the mining and chemical industry has opened the doors to cheap Chinese imports to assist their employees to survive in this economy. Is this why the Chinese have secured so much of our market or is it that the space opened by the removal of all opposition to the elite, have left a vacuum that the Chinese have filled?

In the Furniture Manufacturers Industry in Kwa-Zulu Natal at least 10 000 blacks lost their employment permanently, and the elite continued to prosper through the ability to diversify. During the 1975 to 1985 period the Government gave businesses huge tax incentives to invest in property and buildings. The elite business interests switched their cash profits into property and shares portfolios, with a huge cash balance still available.

Why do I believe that my father stole if he was only a lowly Shift-Supervisor in the Gas Works all his life?

Through his Pension Contributions, through Annuities, and through all sorts of investments that the Pension and other funds invest in, they share this exaggerated wealth that has been obtained through restrictions and regulations that impacted on the black employee.

These restrictive regulations and controls that make it impossible for the Informal business to survive, was never faced with 'two roads that diverge in the forest', no sir, even today we will find it difficult to find the road less travelled.

(In the Furniture Manufacturers Council post that follows I give some details of what took place.)

MANIPULATION OF OUR ECONOMIC FREEDOM:

Furniture Manufacturing Industry:

On the 27th August 1984, the Industrial Council for the Furniture Manufacturing Industry, Natal, makes an application in terms of section 48(1)(b), to the Divisional Inspector, Department of Manpower, Durban to extend their jurisdiction over all manufactures in Kwa-Zulu Natal.

Complying with the very democratic principles within these regulatory structures, the Secretary Mr. J S Oliver uses the following motivation to extend into the B area:

- 1: The Trade Union, even with the addition of the new Area B, where the Trade Union has only recently commenced organizing has a total membership of 4688 out of 6535 employees or, 71.74% of the employees in the Industry as a whole.
- 2: Likewise, the employers have been active in canvassing members, and have, even with the inclusion of Area B been able to achieve a 46,02% representation and it is expected that the 5% mark will be exceeded well before the expiry of the new agreement on the 31 July 1985.
- 3: It should also be borne in mind that larger firms, such as Grafton Furniture Manufacturers, (526 employees, or 8% of the work force in the industry) had come into being through the merger of a number of individual companies; Graftons for instance was established through the merger of five different companies. The same applies to other larger firms such as Afman Beddin, Eagle Furnisher Industries, Greaves and Thomas, Globe & Somus, Huski Grouo, Kaydee and Rotterdam Furniture. These eight firms employ 1962 men equalling 30,2% of the total number of employees in Areas A & B. Had the mergers referred to not taken place, the Manufacturers Association would have been representative by far more than 50%.
- 4: There are very few Non-Party Employers of any consequence and, if the number of employees in the service of the five largest Non-Party firms is deducted from the total of employees in the Non-Party shops, the balance of employees would be 1182 men employed by the Non-Party Shops, or, an average of less than 10 men per firm, against almost 50 men per Party Employer.

Comment:

This is the basis for extending the Industrial Council agreement into area B, without discussion with any of the employers.

- 1: Having not recruited any members, the Union can extend based on possible numbers in area B, still giving them a 71.74% majority.
- 2: They claim to have recruited employers in area B, never identified, but promise that they will achieve the required 50% before the expiry of the new agreement.
- 3: As the big manufacturers swallow the small though restrictive control methods, they need to be considered as if the merger has not taken place in order to achieve 50%.
- 4: This must have been the item that swayed the Divisional Inspector, it still confuses me.

Based on this application, the areas 'B' were included in the new agreement, and forced to pay minimum wages, equal to 80% of the big manufacturers, an increase of almost 100%.

YES, TODAY WE SIT IN OUR ARM CHAIRS AND SAY; "BUT YOU MUST PAY LIVING WAGES";

For the purposes of this example, I have added a zero to relate a little closer to todays concept of value.

The large manufacturer is highly mechanized;

During the 1984 to 1986 period, the Minimum Wage in Area A was R 106.53 (1065.30)per week:

Based on 500 units per day, = 2500 units per week, @ R650 per unit, Income = R 1 625 000 per week. Research showed that the average labour cost in these operations was 16%. = R 260 000 = 240 employees.

@ 10% profit equals R 162 500 per week.

The small labour intensive poor mechanized operation;

Based on 100 units per day, = 500 units per week, @ R 500 per unit, Income = R 250 000 per week.

Research showed that the average labour cost in these operations was 30%. = R 75 000 = 150 employees.

10% profit equals R 25 000 per week

Comment; With all things equal, the increased wages would have absorbed the potential 10% profit that we would budget for, (and not

always achieve), turning it into a R 50 000 loss per week.

What is the larger operators motivation for making it impossible for the small business?

We add the 500 units produced by the small operators the large operators production:

Based on 600 units per day, = 3000 units per week, @ R650 per unit, Income = R 1 950 000 per week.

Research showed that the average labour cost in these operations was 16%. = R 312 000 = 280 employees.

@ 10% profit equals R 195 000 per week.

Result: The shareholders increase their profits by R 32 500 per week, and we jointly sacrifice 110 employees.

CONFLICT ZONE;

The elite producers have great powers vested in them through the Industrial Council and the Judicial System. We faced criminal charges, Labour Court Hearings, and eventually needed to take the Minister Of Labour and the Industrial Council to the Supreme Court to seek relief.

The Industrial Council Agents, Messers Fisher and van der Walt, aggressively used the South African Police to force us to comply, with regard to the labour, it was not the Union Representatives talking to the labour, but the Council inspectors, offering them twice their wages if they signed, and if asked by the labour what would happen to them if the company collapsed, it was not their problem, the workers should go to the Labour Court and seek compensation.

The Minister Appointed a Wage Board Commission to sit in five cities in order to give public participation. Our committee met with the Minister of Labour on three occasions, eventually reaching an agreement with us that our B&C Furniture Manufacturers Association, could draft proposals, and if the Trade Union signed them, they would be published.

I met with the Union, and we spend thirty minutes having a casual chat, then I passed the agreement, drafted by the Manufacturers, and passed it to the Union Secretary. He signed it, passed it back to me, and ten minutes later we left.

Successful, and at great personal cost to many of us.

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