

SOAPBOX



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## Facing the Facts: Labour Brokers in SA's economy

Are they a burden or good for the economy?

During 2010, several important pieces of research appeared regarding the South African labour broking industry. The National Association of Bargaining Councils (NABC) produced an important estimate of the number of labour broker workers in South Africa, the first updated figure since 2006. The NABC suggests that there are 979,539 labour broker workers in SA, compared to the previous estimate of approximately 500,000 labour broker workers. The NABC figures indicate that the labour broking industry is significantly larger than anyone has yet suggested.

Also, during the year, the Commission for Conciliation, Mediation and Arbitration (CCMA) produced figures that indicate labour brokers, while representing 7.6% of total employment in South Africa, represent just 0.9% of CCMA disputes. The CCMA figures indicate that the labour broking industry is characterized by relatively few (formal) employer/employee disputes.

By far the most important study regarding the labour broking industry was conducted by Topline Research Solutions using client databases provided by the Confederation of Associations in the Private Employment Sector (CAPES). Topline conducted surveys of 110 labour brokers, representing 268,777 labour broker workers or 29.8% of the industry total. The following survey statistics are instructive:

85% of labour brokers are individual-owned, with a 61%/39% split between male/female ownership

the racial profile of individual-owned labour brokers is 63% white, 28% black and the remainder Indian and Coloured

labour brokers are distributed throughout South Africa, although the biggest presence is in the three major economic hubs Gauteng (68%), KwaZulu-Natal (42%) and Western Cape (36%)

labour brokers place workers throughout the economy, including the construction, manufacturing, finance, nursing, wholesale/retail trade, mining, transport and communications sectors

60% of labour brokers are “small” (<20 internal employees) and just 12% are “large” (>200 internal employees). 73% of labour brokers have annual turnover below R50 million, and just 6% of labour brokers have annual turnover exceeding R1 billion.

the average labour broker has been in business for 14.1 years, with 29% in business for more than 20 years – larger labour brokers tend to have been in business for longer

98% of labour brokers are Skills Development Levy-payers

92% of labour brokers are BEE rated, with 71% being Level 4 or higher

the most frequently cited reasons for labour brokers’ temp assignments are contingencies (70%), projects (66%) and seasonality (64%)

the average temp contract duration is 10.1 months, with the majority (54%) less than 6 months

77% of labour brokers’ candidates are word-of-mouth referrals, indicating that a large proportion of labour brokers’ assignees feel sufficiently positive about their work experiences with labour brokers to promote or recommend them to their friends and family

70% of labour broker workers have 2 or 3 core dependents and possibly 5 extended dependents

between one-third and one-half of labour broker workers (depending on the particular sector) are first-time job-seekers, indicating that the labour broking industry provides an essential service to unemployed people who have not found an alternative entry-point into the labour market

the overwhelming majority (74%) of labour brokers field fewer than 4 assignee complaints from their entire workforces each month, which confirms the CCMA data cited above

the most common reason for terminating an assignee’s contract (81%) is that the contract period ends, which tends to refute the claim made by the Department of Labour and several trade unions that labour brokers are a “subterfuge” for avoiding labour relations and, especially, dismissal protections

72% of labour broker workers’ contracts end because they find permanent jobs, which reinforces the impression that labour brokers are an essential entry-point into the formal world of decent work for unemployed/never previously employed people

at any given time, 53,844 assignees (or 6.0% of the total) are enrolled on learnerships, apprenticeships, recognition-of-prior-learning, and other skills programmes

59% of assignees are represented by a bargaining council and/or workplace forum, and 11% are covered by a sectoral determination

just 19% of labour brokers report that none of their assignees are union members

blacks represent the most common racial profile of assignees (75%), followed by whites (13%), Coloureds (8%) and Indians (4%) – these proportions are largely in line with the races' broader composition in the total population

temp remuneration is overwhelmingly (90%) determined by client and/or market trends

average pay rates vary from R8.00 per hour in the agricultural sector to R430.00 per hour in the mining sector

93% of labour brokers provide some sort of employee assistance programme to their assignees, including counselling (HIV/Aids, trauma, substance abuse, etc.) (56%) and training (orientation, workplace readiness, etc.) (42%)

100% of labour brokers provide statutory benefits to their assignees (leave provisions, unemployment insurance, workmen's compensation, etc.) – but relatively few provide retirement savings (15%) or medical aid (12%)

The above statistics fly in the face of assumptions and assertions made by the Department of Labour and several trade unions that labour brokers are exploitative businesses designed to circumvent labour laws and regulations. As the above statistics indicate, the labour broking industry plays a critical role in the South African labour market, by introducing unemployed people (frequently youth) into the formal world of decent work.

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<http://moneyweb.co.za/mw/view/mw/en/page292681?oid=527437&sn=2009+Detail&pid=287226>