

Mechanisation brings profits and jobs says Coka

South Africa should embrace technology and mechanisation instead of dreading it, given mechanisation's long-term benefits of job creation and higher productivity, Productivity SA's chief Executive Bongani Coka says



Productivity SA's Bongani Coka says that mechanisation may lead to short-term job losses but will create more jobs in the longer term. Image: Productivity SA

"Competitive countries such as Singapore had very high levels of automation as well as single-digit unemployment," Coka said.

His comments come as strike-hit companies in mining and manufacturing increasingly talk about replacing labour with machines to minimise costs amid rising wages and high administered costs.

Manufacturing Circle's Executive Director Coenraad Bezuidenhout said the organisation, which represents most of the country's manufacturers, was concerned about the declining growth in manufacturing productivity.

The Reserve Bank has warned about the risk to inflation if wage settlements are in excess of inflation and productivity growth.

Labour unions are opposed to mechanisation as they feel that it will only worsen SA's already high rate of unemployment.

But Coka said that the savings achieved through mechanising had long-term positive consequences.

Higher profits mean more money and more jobs

"In the short-term, you may see technology as taking jobs away, but in the long run it improves productivity and with those savings you are able to create more jobs," he said.

"What happens is that as you automate, you make high profits," he said. "When you make high profits, it feeds to the fiscus. When the fiscus has a lot of money, (the government) can invest in infrastructure. The investment in the infrastructure creates jobs," he added.

Labour Analyst Tony Healy said while mechanisation was beneficial because it made production more reliable, its disadvantage was that it created fewer high earners: those with skills to operate machines.

SA has been slipping in the competitiveness rankings mainly because of strikes and energy supply constraints. The country fell three places to 56th out of 144 countries in the World Economic Forum's (WEF's) global competitiveness index for this year, released last week.

High wage increases

The WEF cited factors such as poor labour-employer relations and weak economic growth as weighing on competitiveness.

Meganomics Economist Colen Garrow said steep wage increases were inflationary because they could encourage companies to increase the prices of goods and services. This, he said, would keep open the door for more interest rate increases.

Bezuidenhout said if wage increases continued to outstrip productivity growth, it would be a drag on the ability of



Manufacturing Circle's Coenraad Bezuidenhout warns that high wage increases are not accompanied by higher productivity, threatening SA's competitiveness. Image: Manufacturing Circle



Efficient Group's Francois Stofberg says that higher wages do not mean greater productivity and this remains a problem in South Africa. Image: [Who's Who in Southern Africa](#)

manufacturers to compete with their international counterparts. "The less competitive they become, the less sustainable they become," he said.

These sentiments were echoed by Efficient Group Economist Francois Stofberg. "If higher wages were not met with higher productivity, profits would drop, given that the cost of production would be more than the earnings from production," he said.

"Higher wages also cause SA's wage rate to increase relative to other developing countries producing similar products, reducing attractiveness and competitiveness," Stofberg said.

Bezuidenhout said productivity could be improved if labour and management were to set goals at factory and company level, introduce labour-saving technologies, or replace locally manufactured input requirements with imported equivalents - a major driver of job losses in manufacturing.

"The discussion on productivity often revolves around the number of hours a day an individual works. But productivity was rather about meeting output targets," Coka said.

Source: Business Day via I-Net Bridge

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