

Technical recession puts further pressure on employment

Having recently slipped into a technical recession, the South African economy continues to experience dangerously low levels of economic growth, which does not bode well for national employment figures. Making matters worse is the technologically driven fourth industrial revolution which continues to threaten redundancy on a variety of jobs.



Image source: Getty Images

This is according to Aadil Patel, director and National Head of Cliffe Dekker Hofmeyr's Employment Practice, who says these factors make South African businesses further disposed to widespread retrenchments. Patel adds, however, that because retrenchment is a specific legal process governed by sections 189 and 189A of the Labour Relations Act (LRA), employers need to ensure that the correct legal procedure is adhered to, should they decide that there may be a need to retrench.

"We've already seen a decrease in formal employment of 28,000 jobs in the third quarter of 2019, according to Stats SA's latest Quarterly Employment Statistics (QES). However, as businesses continue to experience severe financial strain, it will become increasingly difficult to meet operational requirements and further retrenchments may follow in the upcoming months."

For perspective, Patel refers to the severe impact that the 2008/09 recession had on formal employment levels in South Africa. "The 2008 recession took a hefty toll on employment – on both a global and local level – with it being reported that following the recession and over a period of 18 months, roughly 34 million jobs were lost worldwide of which one million jobs were lost in South Africa alone.

“What makes the current recession potentially more threatening to employment than the one experienced by South Africa in 2008/09 is the impact of the fourth industrial revolution (4IR), whereby technological advancement and the increased use of automation will likely result in various unskilled jobs, as well as certain skilled jobs, being made redundant,” Patel explains.

There are four main drivers of change: “High-speed mobile internet, artificial intelligence (AI), big data analytics, and cloud technology, are known as the 4IR change-drivers that are blurring the lines between physical, digital and biological spheres. As a result, we are expecting to see an increase in productivity-enhancing roles, but a decrease in full-time formal employment overall, which will likely be as a result of increased retrenchments.”

He goes on to provide context around when and how employers may lawfully terminate an employment relationship on the basis of operational requirements. “In terms of s189 of the LRA employers must undergo a consultative process, with any person who the employer is obliged to consult with, before retrenching any employees. In terms of the law the consultation process must be a joint consensus seeking process with both employer and employee exploring alternatives to retrenchment. All alternatives must be considered but need not be implemented. Depending on the number of employees to be retrenched, the consultation process may take a while to conclude as the LRA prescribes various consultation topics.”

Patel says that while the law is clear in terms of retrenchment procedures, many businesses still fail to follow these requirements and, as such, find themselves facing costly and time-consuming legal battles as a result.

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