on the influx control measures which, _inter alia_, determine the areas in which Blacks may live and work. Firms can only attempt to remove the system if they join together as a political pressure group. This is an unlikely occurrence and, indeed, it could well be considered undesirable that the business world should be so directly linked to the political sphere. It therefore remains for firms "to alleviate the effects of the system."

The system works in such a way that non-local Blacks can be employed on a contract basis. In his study of the gold mining industry between 1966 and 1974, MacMurray reports that the minimum contract period is six months, while the longest contract ever signed was for two years. 74)

In industry, it is less easy to define a contract period, since firms often recruit Blacks from the homelands and rural areas on a contract basis for, say, a period of 12 months, but an arrangement is reached whereby the contract worker then returns to his area of origin on the mutual understanding that he will return to the same firm after, say, 4 weeks. Effectively, he is then a permanent employee with annual leave, and it is not uncommon for it to be paid leave in recent years. As mentioned earlier, the mines also encourage contract workers to return for a further period, by offering to re-employ them at their last job and rate of pay, and by granting them a R50,00 'bonus' if they do return within a specified period. However, there are occasions when non-local Blacks are recruited by firms in the industrial sector for a specific, short term, project. Exactly how long such contracts are, and how many people are involved, is nowhere statistically documented, probably because many such Blacks seek and find other work in the same White industrial area after the initial contract is completed. This appears to be common amongst domestic servants. For example, one particular female private domestic employee, known to the writer, was originally recruited

from KwaZulu in 1968. After working for one employer for two years, she worked for three other employers for various periods during the next four years, and is now employed on a permanent basis as a full-time domestic worker for a charitable organisation. She is granted one week's leave at Christmas, and two further weeks at some other time of the year, all of which is paid. Nevertheless, according to the relevant Administration Board, she is a temporary employee, i.e. a migrant labourer, whose home area is KwaZulu.

Strictly speaking, all migrant workers should return to their place of origin at the end of each contract, and then re-register with the local employment bureau as seeking new work. Some firms use the system to employ unskilled labour for short periods, with no intention of training or up-grading them, or even of considering them as permanent employees.

Other firms, however, have found this unproductive use of labour costly and inefficient. It is not unusual for such firms to employ migrant workers for some specified contract period, and to make it clear they will be re-employed after they have spent a 'holiday' in their place of origin, as has been described above for domestic employees and, in some cases, mine workers. In this way, firms are, to all intents and purposes, attempting to employ non-local Blacks on a permanent basis. On the assumption that they will return for further contract periods, the firm can afford to provide training facilities for more skilled work and to offer opportunities for job advancement. This is exactly the sort of 'alleviating' measure which the EEC Code presses firms to adopt.

In the case of young single men (few women are migrant workers), the problem lies in the very nature of the migrant labour system. They lack the freedom to leave their homeland areas without the permission of the appropriate authorities (i.e. the State, not the family), to choose where they will seek work, and how long they
will stay away from home. The problem is exacerbated for married migrant labourers (including those who return to the same employer each time), because their families are not allowed to move with them to wherever the worker had found a post. Hence, any such employee who opts for repeated steady contracts knows that for the majority of the year he will have no, or little, contact with his family. Inevitably, the effect is to create a feeling of restlessness and rootlessness in the migrant, while the family (and the village community of which it is a part) suffers from the long absence of its male head. Equally inevitably, these two factors do not encourage the married migrant to choose the 'steady' contract, even though it improves his long term job prospects and earning propensity.

Unfortunately, this aspect of the system places firms in a situation where any action they may take has adverse consequences. To refuse to employ migrants at all, is tantamount to refusing them an opportunity to earn any income (thereby increasing poverty in the rural areas). To offer them repeated contracts is to use the system to the benefit of the firm, but to the detriment of the worker and his family.

Under these circumstances, firms can only offer full-time regular employment and assist the migrant to be re-classified as a local urban resident, when he may then move his family to the area of employment as well. This, too, is becoming increasingly difficult as the Government continues to implement its policy of classifying Blacks as residents of a particular homeland and depriving them of permanent residential rights in other areas.\(^{75}\)

The only other alleviating action which firms can adopt is to make every effort to ensure that the accommodation provided for their migrant employees provides the basic necessities for health and welfare. Where firms employ large numbers of such workers, they frequently build

\(^{75}\) But see p.204 above for a discussion of the effects of 99 year leasehold rights.
hostels on their own grounds (the mining companies are the most notable example of this). Such firms are obviously in a position to ensure that the accommodation provided is of a good standard, and that leisure-time facilities and amenities are also available, but the costs are high. The capital costs alone have been estimated at between R2500 and R3000 per person. 76) Migrant workers employed by firms who have few such employees are usually accommodated in municipal hostels. The standards vary from hostel to hostel, and from municipality to municipality. In these instances, firms can only attempt to pressurise the relevant authorities for necessary improvements, through their employers' associations. Where the hostel residents are allowed to make their own improvements, the employing firm might consider offering loan facilities for this special type of home improvement scheme.

In general, the migrant labour system is the result of governmental action designed to bring about a particular political ideology. The laws of the country make it difficult for firms to circumvent the basic premise, and their ability to alleviate the effects of the system is fairly severely limited.

3.2.2.6.2 Creation of Employment Opportunities

The OECD Declaration states that "enterprises should ... give due consideration to ... the creation of employment opportunities," while the UF-SACCOLA Code also enjoins private sector firms to promote "the accelerated creation of employment opportunities for the South African population."

In a country which has a large under-employed labour force, the call for job creation is particularly relevant. A former President of the Federated Chamber of Industries estimated, authoritatively, that there is a need to

76) The writer is indebted to the Anglo American Corporation of South Africa (Pty) Ltd for the provision of these estimates; March 1979.
create 250,000 new jobs annually between 1978 and the end of the century, in order to provide work not only for the present working age population, but also for the expected increase due to the high birth rate amongst Blacks.\(^{77}\)

The government supports labour-intensive industries in certain areas through the decentralisation policy. For example, firms are encouraged to move to, or expand in, the Cape Peninsula area, where the Coloured population is mainly concentrated and there is a surplus of such labour. The policy also encourages the development of labour-intensive industries in the areas bordering on the homelands, in order to create local employment opportunities for Blacks living in such homelands.

Obviously, it is not expected that existing enterprises which have a capital-intensive bias should be dismantled. However, certain sectors of the South African business community and the government, have emphasised the need for new enterprises to be labour intensive wherever possible, in order to create jobs for the growing number of people entering the labour market. Unfortunately, this is not easily accomplished. Firms competing on world markets, or against imported products, must consider the effects on their cost structures and competitive positions of employing more labour.

South African historical evidence has shown that in the early days of industrial growth, there was a shortage of skilled labour but an urgent need to produce rapidly and in large quantities, to meet the expectations of the (mainly) foreign investors. Inevitably, with Western methods of technology easily available, industry grew in a relatively capital-intensive way. Some of the surplus of unskilled labour was absorbed into the system to perform menial tasks, while certain skilled jobs were broken down into constituent parts, some of which could be allocated to unskilled, or partly skilled workers.

\(^{77}\) S. R. Back, in an address to the Executive Council of the Federated Chamber of Industries, Durban, 26 September 1978.
The result was, in fact, an enormously high labour absorption rate associated with high rates of economic growth. Moreover, the facts show that wherever the annual economic growth rate was 5 per cent or more, the size of the labour force increased, and there was much occupational advancement amongst Black workers. This was especially true during the decade of the 1960's.

Thus, job creation basically depends on a sustained high economic growth rate. It must also be recognised that job creation cannot go hand-in-hand with a general rise in wage levels. As other developing countries have found, setting high minimum wages has led to unemployment, rather than encouraging the creation of more work places.

The two Codes which recognise unemployment and underemployment as important economic problems in South Africa are, in effect, asking for two things. In the first place, firms in the private sector are urged to adopt production methods which make efficient and effective use of as much as possible of the country's greatest natural resource, i.e. manpower. In the second place, and co-existent with the first, action must be taken in the fields of training, increased productivity, control of inflation, and fiscal and monetary policies which will stimulate and sustain the overall growth rate of the economy. At this stage in South Africa's development, the emphasis must be on creating jobs for the growing labour force, rather than on raising wage levels.

In the long term interests of the country, as well as the short term need to reduce unemployment, it is justifiable to ask firms to commit themselves to this objective.

3.2.2.7 Codes of Employment Practice: Summary

Personnel departments in firms have a dual function. They are concerned both with the interests of the firm and the interests of the employees. When these clash, a mutually acceptable compromise must be found. As industry has matured, employers and employees have become increasingly aware that their separate interests are
inextricably interlinked, with the result that consultation is now the norm, both in the industrially developed Western countries and the Western-orientated developing nations. Moreover, peaceful labour relations can be achieved by give and take on both sides. Employees are no longer solely concerned with gaining higher wages, nor are employers solely concerned with gaining higher levels of output and greater profits. Both sides now come together to find ways of meeting their individual interests. This process has been strongly influenced by social reform movements, but economic experience and education have also played an important role.

South Africa is a dual economy - part of it highly industrialised and part still considerably underdeveloped. The social and economic factors which led to the adoption of modern personnel practices in other countries, are now coming to the fore here. Social reform in South Africa is mainly directed towards improving the treatment of, and opportunities for, the Black inhabitants, so that ultimately they will be equal to those available to Whites. In the economic sphere, employers are becoming increasingly aware of the need for equal treatment and opportunities, because ultimately it is in their own self-interest. If the entire population had the same income level and standard of education as the Whites presently do, there would be a six-fold increase in the size of the domestic market for many products as spending power rose; there would be no shortages of skilled labour; and the whole country would be fully developed instead of only the present, relatively small areas.

The desire to realise this 'utopia' is the reason behind many of the recent changes in personnel practices. The creation of more employment places is, perhaps, the first step, as this will generate more income. In turn, this will create larger markets, and the country's resources will be more fully utilised. This applies not only to labour, but also to the land and its inherent wealth. Research seems to indicate that more work places can be
created by firms adopting expansion plans based on labour-intensive methods of production. But these methods also require different degrees of skill, so firms will have to run training schemes in order to prepare employees for higher level positions.

It is not then, merely a question of creating more work opportunities, but also of training all suitable candidates to fill the better jobs which will be created in the same process.

Experience in industrially developed Western countries has shown that the introduction of fringe benefits has tended to reduce labour turnover rates, as employees realise the extent and value of the gains available through continued employment with the same company. This applies particularly to pensions, and annual and sick leave, as they normally increase with years of service. The availability of loans or grants for private purposes, and company transport and housing, normally depends on seniority, but this may also include years of service as well as status level within an organisation.

Fringe benefits generally have two effects. By reducing labour turnover rates, they reduce overall labour costs for individual firms. They also help to create a sense of loyalty to the firm, which cannot be quantified, but includes such factors as reasonableness during union-management negotiations, willingness to work overtime when necessary, and higher levels of productive output, not necessarily associated with productivity bonuses or wage agreements.

The gradual inclusion of black employees in fringe benefit schemes in South African firms is likely to have had the same effects. Moreover, lower turnover rates will have the added advantage of making it worthwhile for firms to invest in training schemes, thereby increasing the supply of skilled labour from domestic sources, and further encouraging loyalty.

The development of Western-style trade unions for Black
employees appears to be more of a political problem than an economic one. Since management can now negotiate with works and liaison committees, and reach legally binding agreements, the negotiating process is unlikely to be completely changed if such committees were replaced by trade union representatives. However, there will be two important changes, and some minor ones. In the first place, committee members are employees, while trade union officials may not be. The former are obviously vulnerable to management action, while the latter are not, and this must, inevitably, affect relations between the two 'sides'. Secondly, the committees are representative of the employees in a single enterprise only, whereas unions will represent workers in several plants, and often in different industries. This will almost certainly have an equalising effect, as wage agreements reached with one firm will become the 'norm' for wage negotiations concerning union members in all other firms and industries. The result will probably be higher wage levels, but not dramatic increases, since maintaining jobs is as equally important a function of unions as obtaining wage increases.

Another, although less important, change will be that firms will have to allow both Black and White union officials paid-time away from work in order to carry out their legitimate union duties. Moreover, when unions represent all employees regardless of race or colour, there will be a saving of time, since only one set of negotiations will have to be conducted.

It has been stated that desegregation at the work place is likely to prove a cost-reducing process, at least for new firms and older firms building new establishments. The probable effect on personal relationships between employees of different racial groups can only be gauged from firms who have already adopted such measures. In general, their comments have indicated that it has had no ill effects on the firm's business, and only occasionally in the early stages has it caused friction between
isolated employees.\textsuperscript{78})

In general, it can be said that South African firms are adopting personnel practices which are in line with those found in the industrially developed Western countries. There are instances where the law makes it difficult to proceed, such as the influx control regulations affecting migrant workers. In most other instances, the movement towards the introduction of non-discriminatory employment procedures is clearly apparent, and the only criticism which might be levelled is that the pace of change is too slow. While this might be valid in some situations, as a general rule, the pace is dictated by the rate of change in the socio-political atmosphere of the country as a whole. In the light of South Africa's history of labour relations, the speed with which changes are now being effected is remarkably rapid and consistent.

\textsuperscript{78}) See the comment by the Personnel Manager of Hoechst S.A. Ltd; p.195 above.
CHAPTER 4. THE OUTLOOK FOR PERSONNEL POLICIES IN SOUTH AFRICAN FIRMS

4.1 Introduction

The primary object of this study has been to consider the influence of certain aspects of manpower planning on personnel policies within individual firms. It necessarily included discussions of aspects over which firms have no control, namely, minimum wage legislation, welfare benefits, State training institutions, and some labour laws which affect personnel procedures indirectly. These factors were discussed in detail because, although individual firms have no influence over them, they do influence the personnel policies of firms.

Thus, if minimum wage legislation does not exist, wages are determined by market conditions, and no other factors enter into firms' wage calculations. However, if such legislation is enacted, then employers have both legal requirements and market conditions to consider when deciding wage rates.

The payment of welfare benefits by government agencies, whether contributory or non-contributory, influences the attitude of employees towards employment and the level of wages which they consider as an acceptable alternative to the receipt of benefits. In turn, this also affects employers' wage-making decisions, and if they are also required to contribute to welfare funds, it raises additional questions as to the number and type of staff employed.

Where the State provides training facilities for the country's labour force, it removes, or reduces, the burden on firms. For example, if the State offered free courses in every type of skill needed by employers in all sectors of the economy, firms would only have to organise orientation courses for recruits. Although this would mean employers would not have to invest any funds in training schemes, it would also influence the attitude of employees towards their employers, since they would not be
under any moral, or other, obligation to provide them with some return on their investment.

Laws which impinge on the freedom of firms to decide their own personnel policies, have many variations. The US laws which prohibit discrimination on any grounds, for example, make it almost impossible for a firm to employ only White, male, protestant staff, even though this might be the firm's recruitment policy in the absence of the laws. Similarly, South Africa's influx control regulations hinder employers from having an unfettered freedom of choice amongst all persons seeking work. For example, if they were free to do so, they might choose to employ only Black migrant workers from rural areas. Other aspects of labour legislation affect personnel policies in different ways, but they do affect them.

In this final chapter, the writer will assess how US and South African laws relating to the manpower planning aspects discussed in the proceeding chapters, influence the personnel procedures of firms in each country. The effect of the laws on actual practice will also be considered. Several proposals for changes in both South African law and practice have been made, based on US and South African experience and realities. These, too, will be evaluated from the viewpoint of individual South African firms. Finally the writer will discuss and evaluate the probable future for existing and proposed South African personnel policies.

4.2 The Influence of Wage Legislation on Personnel Policies

As was explained in Chapter 1, minimum wage legislation varies between different countries, and is not necessarily the same for all nations at the same stage of economic development. In general, it is a combination of economic, social and political forces which decide whether minimum wage laws should be enacted or not, and what form the legislation should take. These combinations are unique for each country, and it is not, therefore,
possible to transplant a set of laws from one country to another without making at least some modifications. The similarities between the US and South Africa, in the economic, social and political spheres (particularly from an historical viewpoint) were sufficient to justify a study of minimum wage legislation in the US, and the consequences of adopting a similar system in South Africa.

Two aspects of the US legislation were considered especially relevant to the South African situation. These were:

1) that the legislation does not apply to all employees in all sectors of the economy, and

2) that a single national minimum wage is specified for all those employees who are in the 'covered' sector.

In terms of existing South African legislation, minimum wage regulations also do not apply to all employees in all sectors of the economy. However, where regulations are applicable, separate wage rates are specified for different industries, areas and grades of work.

The advantages of having an 'uncovered' sector, i.e. where minimum wages need not be paid, were considered by the writer to be less relevant to the South African economy than to the US. It was felt that the need to reduce the extent of poverty in South Africa was of greater importance than in the US, particularly in view of the fact that South Africa is not in a position to alleviate poverty through large-scale expenditures on non-contributory welfare benefits. The writer, therefore, considered that South Africa should not have an 'uncovered' sector per se. However, certain groups of employees would, in fact, be excluded from the proposed minimum wage legislation because their inclusion would be unnecessary (e.g. foreign migrant workers), or administratively not worthwhile (e.g. casual, seasonal and out-workers).

From the point of view of employers, it is important that the excluded employees be clearly defined, so that there is no misunderstanding as to whom the law applies. In
practice, apart from students employed in a temporary or part-time capacity, other casual or part-time workers, and contract workers from foreign countries, it is proposed that all employees in the non-agricultural secondary and tertiary sectors of the economy would be legally entitled to receive the specified minimum wage. It has been shown, that South African firms should experience no difficulties in administering this aspect of the proposed minimum wage legislation.

With respect to the level of minimum wages, the writer concluded that the multiplicity of rates specified by the South African Wage Board, was an unnecessarily cumbersome procedure. However, two of the most urgent problems facing South Africa are to create more employment opportunities for Blacks, and to reduce poverty amongst this group of the population. It is felt that a single national minimum wage, as specified in the US, would also be easier to administrate in South Africa, but the rate must not be high because this would discourage the employment of low-skilled employees, and hence not aid the job-creation process. It is recognised that the proposed single low rate will have little effect on the incidence of poverty, except in the sense that all employed workers will be guaranteed a regular income, albeit at a subsistence level.

Because several minimum wage rates are specified by the Wage Board, and in some instances, the specified minima do not apply to all employees, the administrative procedures of salaries and wages personnel are made more complicated than is the case in the US. The proposed single national minimum wage will alleviate at least some of these complications, and to that extent, one would expect South African firms to welcome this proposal.

An immediately identifiable wages floor for all employees, will ease wage payment procedures for all employers in the covered sector. It has also been pointed out that, in fact, the majority of employees earn higher wages than the proposed initial figure of R10-50 per week. Hence, for many employers, the existence of a legally imposed minimum
wage will be of little or no consequence.

In conclusion, the proposed minimum wage legislation will allow employers to make some contribution to the alleviation of poverty amongst Black workers. Moreover, because the figure is low, it will not hinder the employment of more (unskilled) Black workers in labour-intensive production processes, and, hopefully therefore, will not discourage job-creation programmes. Clearly understood and firmly administered wage legislation will also encourage economic growth, as well as both foreign and domestic investment: factors which will have long term benefits for employees, employers and the national economy in general.

4.3 The Influence of State Welfare Measures on Personnel Policies

Poverty is common to certain sections of the US population, and to a large proportion of South African Blacks. In both countries, the poor usually live in over-crowded slum areas, are unhealthy, badly educated, and find it difficult to obtain, and/or hold, regular jobs which pay reasonable wages and have promotional prospects.

US local, State and Federal governments have attempted to remove people from such situations by granting them financial and other assistance through various welfare programmes. Some of the benefits, such as Medicaid, Medicare, pensions for retired persons and child allowances, are available freely to all those in need. Moreover, working-age adults have access to free job-training schemes and often receive an allowance whilst participating in the courses. The basic objective is to supply sufficient aid of an appropriate nature, so that the recipients need not live in poverty conditions, nor suffer from the concomittant evils. In general, the US economy has sufficient financial resources to afford such welfare payments for all needy persons, on a non-contributory basis.

By comparison, South Africa has few welfare programmes, the benefits paid are of minimal financial value, and only a small proportion of those suffering from poverty actually
receive assistance. There are two main reasons for these
differences between US and South African State welfare
measures.

Firstly, a considerably larger proportion of the South
African population suffers from poverty conditions than is
the case in the US. Moreover, within South Africa itself,
there is a distinct division between Blacks living in
'ghetto-like' urban townships, and those who live a sub­
sistence agricultural way of life in rural areas. The
former can be directly compared with poverty-stricken
groups in US cities, but for the latter there is no
corresponding group in the US. The second reason stems
mainly from this difference in the size of the poverty
problem. South African government agencies do not have
the financial resources to grant monetary aid or practical
assistance to all needy persons.

Nevertheless, State benefits are paid to retired persons,
widows and widowers, veteran ex-servicemen and disabled
persons of all races, provided that they satisfy a strict
'means test'. In most instances, the value of the
pensions is nominal. Lack of resources also means that
the government departments concerned are unable to
actively seek out all those persons who would, in all
probability, qualify for one of the welfare pensions, and
nor is the availability of assistance widely advertised.
The reason for this lack of departmental action is logical,
although critics might describe it as inhumane or unfair.
Thus, if existing resources only allow a few eligible
persons to receive a low level of assistance, that
assistance would become almost worthless if all eligible
persons claimed aid.

Apart from the inability of the South African government
to attempt to reduce poverty by increased outlays on
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the present Unemployment Insurance Fund be extended to include pension and sickness payments, and that both employers' and employees' contributions be raised to allow such benefits to be paid. The underlying objective is to make unemployment, retirement and sickness payments dependent on a record of contributions which, except in occasional voluntary cases, can only be established through regular and continuous employment. It is also intended to inculcate the concept that welfare benefits must, at least in part, be paid for by the recipient, and must also be earned, rather than merely needed.

The linkage between welfare benefits and employment should help to establish a supply of labour which is committed to the industrial way of life. Thus, employers will not, in the long term, be faced with shortages in supplies of workers with various types of skills. In the short term, it will become worthwhile for firms to invest in training schemes leading to job-advancement for Black staff. This will also mean that firms are involved in reducing poverty amongst Blacks, as increases in skill-levels will result in increases in wages.

The administration of the proposed 'national insurance scheme' is unlikely to create difficulties for firms, since the method is the same as that used for the present Unemployment Insurance Fund. The only difference is the percentage deduction from employees' wages and the percentage of the latter to be paid by the employers. Indeed, to the extent that all employees subject to minimum wage legislation must also contribute to the new insurance fund, firms will have fewer exempt employees, and the overall wage-calculating procedure will be standardised, except for occasional instances.

The proposed insurance scheme for South African employees is rather different from the welfare programmes adopted in the US. The main reason for the difference is the disparate amount of financial resources available to the two national governments. However, a further, equally important, reason is that South African employees must be
made aware that assistance is only available to those who contribute to the benefits through regular and continuous employment. Moreover, a contributory scheme should ensure that both individual income tax and company tax do not increase, with the result that savings and investment will not be discouraged, and hence neither will job-creation schemes initiated by employers.

4.4 The Influence of Training Programmes on Personnel Policies

Having recognised that there was a need to assist 'disadvantaged' persons from minority groups, US government agencies not only established welfare schemes, but also introduced a wide range of training and job-creation programmes. These started in the mid-1960's, and have been adapted and extended in succeeding years, as the administering agencies gained experience and knowledge of the needs of the various target groups. Today, in the late 1970's, it can be stated that there is a training scheme available which is especially suited to the needs, aspirations and personal circumstances of each unemployed person in the US. In almost every instance, training is provided free of charge, and trainees receive financial allowances, or actual wages, whilst attending the courses. Both US government agencies and private employers are involved in the schemes, in a practical and a financial sense. The costs are high, and a considerable volume of resources, in the form of manpower and equipment, is devoted to the schemes. Nevertheless, the effort expended has been worthwhile, for the schemes are an undoubted success, in the sense that facilities are now available to ensure that employable persons have access to training and hence to job-placement.

As with welfare benefits, the size of the training effort in South Africa is restricted by the amount of financial and practical resources available. However, State-run training institutions have been established in areas where the need is greatest. For example, vocational schools in border areas offer training facilities to rural Blacks,
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PUBLISHER:  
University of the Witwatersrand, Johannesburg  
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