Manufacturers to lay off more workers this year

By Mariam Isa

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The hard-pressed manufacturing sector is set to shed more jobs this year in the face of labour unrest, rising costs, and a muted recovery in global and domestic demand. Official figures show that the sector, which accounts for 12% of employment in South Africa, shed 68,000 jobs in the third quarter of last year.

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A key survey released on Wednesday (15 January 2014) shows that the trend is likely to continue, and may even gather momentum.

Labour relations consultant Andrew Levy said: "Unquestionably, there will be job losses in manufacturing this year.

"Companies are trying to save, and if the wave of strikes we have seen continues it will translate over time to loss of jobs," he said.

The Association of Mineworkers and Construction Union has warned it will down tools at platinum companies this week, hitting production in an industry that has important links to the manufacturing sector.

Strikes could spread ahead of the general election this year as unions exert their muscle to make a political point.

"Employers want to hold back to see how things pan out," said Andre Coetzee, MD of the Chartered Institute of Purchasing and Supply Africa.

"A lot of the people we are speaking to are hesitant to employ due to the labour unrest. Many say they are considering moving from a more labour intensive focus to mechanisation of jobs," he said.

The institute is an industry body for procurement and supply management. It contributes data to the monthly Kagiso Purchasing Managers Index, seen as a reliable health gauge for manufacturing.

The employment component of the index dived to 45.8 last month from 50.8 in November, a worrying development as a reading above 50 indicates expansion while a reading below 50 points to contraction.

Companies were unable to pass on rising price pressures, and would have to look at cutting costs, with labour the first port of call, Coetzee said.

Coenraad Bezuidenhout, executive director of the Manufacturing Circle, warned that employment in the sector would "remain vulnerable" this year, despite a modest recovery in the domestic economy and in global demand. About 40% of locally manufactured goods are exported.

The latest survey from the Manufacturing Circle, also an industry body, shows that 29% of manufacturers expect to decrease employment over the next 12 months, with 7% of the total saying they expect to cut jobs by more than 15%.

This indicated that mechanisation "may now be part of the competitiveness planning of a larger number of manufacturers", he said.

The industries seen as most likely to suffer are those that supply the strike-afflicted mining sector, such as heavy machinery and equipment.

But more labour-intensive industries such as food, pharmaceuticals, clothing and textiles and automotive components could also be affected, according to labour analyst Loane Sharp.

"It looks like 2014 will be a very unstable year in the labour market. Production delays and disruption puts local and international supply contracts permanently at risk," he warned.

A prolonged strike in the automotive component industry last year forced German car manufacturer BMW to scrap plans to produce a new model locally, and cost the industry an estimated R20-billion.

Abdul Davids, head of research at Kagiso Asset Managers, said that the PMI had to rise to close to 60 for employment levels in the sector to pick up significantly.

Last month, the overall PMI index fell to 49.9 from 52.4 in December, its lowest level since last April.