

The Insourcing Vs Outsourcing Dilemma

By Jenny Reid, CEO of iFacts

Outsourcing has been an endangered species for some time, and the security industry is no exception. While there are many compliant companies offering a solid, compliant service to hundreds of corporate companies and creating job security for thousands of individual security officers, the security industry now joins the ticking time bomb that is the local economy.

The birth of our democracy in 1994 saw the introduction of a new labour law disposition, which has been described by many global labour experts to be among the most liberal in the world. While South Africa's newly elected leaders had good intentions at the time, and had hoped to create a labour market in which every employee would enjoy full job security, we find ourselves now 22 years later, plagued by deluge of unintended consequences. Aside from the view that labour laws are overwhelmingly biased towards the employee, there is also a perception that the associated red tape is hindering foreign investment. In a nutshell, possibly even holding us back in terms of global competitiveness.

In a country where one of the greatest contributors to economic stability is the small-to-medium sized business, is it fair that these organisations are held to the same prohibitive labour standards as a large corporate organisation? Then again, should a global corporate, which is creating vast employment opportunities that otherwise may not exist, be restricted by the local laws dictated by the government?

With an unemployment rate now reaching the 12 million people mark, how long can government and the unions turn a blind eye to the fact that maybe it's the labour laws themselves that are giving potential employers cold feet?

To employ an individual these days, every business or business leader faces a multitude of challenges. The employee needs to be sufficiently skilled or qualified, often the employee requires additional training to perform at full capacity. Then there are the significant number of leave days, sick days, maternity leave and compassionate leave days that the employee is entitled to.

All of the employee's tax, provident fund and Unemployment Insurance Fund costs also become the responsibility of the employer. Then we come to performance and misconduct. Labour law dictates that catching any employee engaged in any level of misconduct or non-performance must be followed with a lengthy process of verbal and written warnings and then hearings. Even if the employee is eventually found guilty and dismissed, they are still in a position to fight for their case through the Commission for Conciliation, Mediation and Arbitration (CCMA).

Then there's the matter of legal strike action. If your employee belongs to a union, they will go on strike by choice or force – whenever the union demands that they do so. Once again, businesses are forced to pay salaries to people who have not tuned up to work, and adjust their salaries based on the result of a wage negotiation and not the employee's actual performance.

Business experts have said that in order for the average business to remain profitable, the employee's performance output should be three times their basic salary, but this is rarely the case. So employers often end up with a deluge of below average performers that dangle the labour legislation carrot. In fact, many employers have stated that they would employ far more people, were it not for the seemingly impossible barriers created by legislation.

It really isn't any wonder then that the emergence of outsourcing and labour broking became a highly attractive option for many employers. When it comes to non-core organisational services, including: cleaning, landscaping and security – employers recognised an opportunity to gain access to well-trained groups of individuals, while dealing directly with one company that alleviated the administration associated with employing these individuals.

It wasn't long before South Africa's local unions, followed global trend and turned their attention towards crumbling the outsourcing sector, citing the outsourcing sector as the enemy of the economy, one that was resulting the retrenchment of its members, a major barrier to employment, and a practice that prevented thousands from enjoying the benefits and security of long-term employment.

Subsequently, we've seen university students take up the union cause as well, and the impact on local tertiary intuitions has been devastating to say the least in terms of riot action, damaged property and a severe disruption to normal educational programmes and exam schedules.

The view that the total ban of outsourcing could create further barriers to full-time employment does not seem to be resonating with unions, their members or students. The demise of outsourcing will result in thousands not being employed with labour brokers and fewer and fewer of being employed full time. The fact that an employer will simply end up hiring one full-time individual instead of five outsourced individuals simply due to cost and time restrictions is just not sinking in. The cost of employing someone full time can be prohibitive when you would rather just get one with the job of running your business.

In conclusion, the attack on the outsourcing industry could have long-term devastating consequences for the economy. If companies are left with no option but being forced to employ full-time staff, they will no doubt have to reconsider their options.